VOL 7 No 11 NOVEMBER 1977

SURVEY of Current Affairs

Government and Administration

Prorogation and Opening of Parliament 403
Northern Ireland 406

External Affairs and Defence

European Community 408
Southern Africa 414
Law of the Sea Conference 417
Antarctic Treaty Meeting 417
Disarmament: Speech by Mr Callaghan 419
Anglo-Soviet Relations 420
Israel-Arab Relations: Speech by Mr Callaghan 421
Shorter Notes 422
Anglo-German Relations

Economic and Scientific Affairs

The Economy: Chancellor's Mansion House Speech 424; Economic Measures 426
International Monetary Fund 429
World Bank Group 433
Trends in Invisible Trade 435
British Construction Overseas 437
Average Earnings in 1977 442
International Energy Agency 443
Shorter Notes 444
Space Telescope Contracts for Britain; Concorde; Unfair Contract Terms Act

Social and Cultural Affairs

Nobel Prizes 1977 445

Documentation

446

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GOVERNMENT AND ADMINISTRATION

Prorogation and Opening of Parliament

THE QUEEN'S PROROGATION SPEECH

The Queen's speech on the prorogation of Parliament summarising the work of the session was delivered to both Houses of Parliament by the Lord Chancellor, Lord Elwyn-Jones, on 26 October, and read to members of the Commons by the Speaker.[1]

The text of the speech, with references to *Survey of Current Affairs* coverage in parentheses, is as follows:

My Lords and Members of the House of Commons:

I was pleased to welcome Commonwealth leaders in London for the 1977 Commonwealth Heads of Government Meeting, for which My Government were the hosts (see pp 258-65). *The intensive and friendly discussions there strengthened the Commonwealth relationship and contributed towards the solution of certain international problems.*

My Government played an active and constructive part in the activities of the European Communities, which included two meetings of the European Council, one in London (see pp 146-8 and 265-6) *and held the Presidency of the Council of Ministers for the first six months of 1977* (see p 300).

My Government have played a full and positive role in institutions to promote international development and efforts to create a more just and stable economic order (see pp 228-9), *and in discussions on the problems of world unemployment and inflation; they were hosts to the Downing Street Conference of the leaders of the seven major industrialised countries* (see pp 226-8).

Legislation has been passed to enable the United Kingdom to ratify amendments to the Articles of Agreement of the International Monetary Fund (see p 193) *and to assist United Kingdom trade and the provision of aid for the poorest countries. Special assistance has been given to southern African refugees.*

My Government have continued their efforts to promote a negotiated settlement in Rhodesia (see pp 301-3 and 414).

My Government have been active, in co-operation with other Western members of the Security Council, in working for a settlement in Namibia which will bring the country to independence in a manner which will meet with international acceptance and will give the people a chance to select freely their own government.

My Government have continued to attach importance to the development of détente, *and of constructive political and economic relations, with the Soviet Union and the countries of Eastern Europe* (see pp 102-4, 187-9 and 367-9). *They have continued to work for mutual and balanced force reductions in Central Europe* (see pp 18 and 221). *They are participating with the Governments of the United States and the Soviet Union in discussions aimed at the negotiation of a comprehensive test ban treaty* (see p 419).

My Government were pleased to act as hosts at the ministerial meeting of the North Atlantic Council which was attended by Heads of Government in London in May, and which established new programmes of work in the political and defence fields (see pp 220-2). . . .

My Government have given continuing priority to their policy of restraining price levels, and of the fullest possible co-operation to this end with both sides of industry. The second round of voluntary pay policy has been observed throughout the economy (see p 389), *and the way has been prepared for an orderly return to normal collective bargaining* (see pp 304-8). *Legislation has been passed to make new provision for the scrutiny and effective control of prices; and a new Price Commission has been appointed* (see pp 120-1 and 296). *Successful steps have been taken to restore confidence in the financial markets and improve the balance of payments* (see pp 22-6 and 63).

My Government remain deeply concerned about the continuing high level of unemployment, and have introduced additional employment and training measures to tackle this problem, including the youth opportunities programme (see pp 156, 248 and 278-9).

My Government have maintained their policy of strengthening industry through the development of the industrial strategy (see p 309), *through industrial assistance schemes* (see p 389), *and through the work of the National Enterprise Board* (see p 231) *and the Scottish, Welsh and Northern Ireland Development Agencies.*

Legislation was enacted to bring into public ownership the aircraft and guided weapons (see p 193), *shipbuilding and marine engine building industries* (see p 272). *British Shipbuilders have*

[1] See *Hansard*, 26.10.77, cols 1472-8.

acquired by negotiation a major part of the ship-repairing industry.

An Act has been passed to enlarge the Post Office Board so as to allow an experiment in industrial democracy (see p 296).

Legislation has been enacted to give the National Coal Board additional powers and provide the framework for the further development of the coal industry (see p 126), *and to make further provision for the financing of British Nuclear Fuels Limited and The Radiochemical Centre Limited* (see p 145). *My Government are completing the award of licences, all involving majority state participation, under the fifth round of off-shore petroleum licensing* (see pp 126-7).

Steps have been taken to ensure further safeguards in the management of nuclear waste, and full and public consideration of the problems relating to nuclear development (see pp 237-9); *a public inquiry has been set up to examine the proposal for the construction of an oxide fuel reprocessing plant at Windscale.*

Legislation has been passed extending United Kingdom fishery limits to 200 miles (see pp 464-5); *tribute is due to the hard work of the fishery protection units in enforcing the new limits.*

A new and favourable Air Services Agreement with the United States of America has been signed (see p 276).

An Act has been passed to reform patent law and to make possible the United Kingdom's participation in certain international agreements including the European Patent Convention (see p 296).

In Northern Ireland the Royal Ulster Constabulary, supported by My Armed Forces, have continued to enforce the law with impartiality and deserve the highest praise for their success in reducing the level of violence. My Government have maintained the aim of a just and lasting constitutional settlement, and they have taken measures to combat the economic and social problems in the Province, including new incentives for investment (see pp 458-60, 1976, and pp 92-4, 213-15 and 332-5).

My Government have published Green Papers discussing possible changes in the arrangements for financing local authorities (see pp 215-16).

My Government have continued to develop a housing policy designed to deal more effectively with the most pressing needs and to broaden housing opportunities. Proposals have been published for a comprehensive housing policy for the longer term (see pp 282-3), *and legislation has been enacted to place statutory responsibility for assisting the homeless on local housing authorities* (see pp 134, 295 and 396).

My Ministers have announced new initiatives for the regeneration of inner urban areas, including the expansion and adaptation of the urban programme and the offer of partnership arrangements between central government and selected local authorities (see pp 202-4 and 282-4).

Proposals have been laid before you for strengthening the water industry and for the future of the British Waterways Board (see pp 317-18).

My Government have reviewed the development programme of new towns in England and have established a new programme for their completion (see pp 202-3).

My Government have published a White Paper setting out their proposals for the future development of transport policy to meet economic and social needs (see pp 274-6). *An Act has been passed to provide continued financial support to the British Railways Board and the National Freight Corporation* (see p 296).

Provision has been made for increases in social security benefits and war pensions (see pp 243-6). *Legislation was enacted making a number of changes in the field of social security, including supplementary benefit* (see p 145). *The new child benefit was brought into payment for all children, including the first* (see p 409, 1976).

My Government have continued to promote and encourage voluntary effort and a sense of caring in the community and have launched and will sustain a good neighbour campaign aimed at involving the community in the care of its members (see pp 130-1). *I hope that the community spirit fostered by the celebrations of My Jubilee will be strengthened and developed in the years to come.*

My Government have published a Green Paper setting out proposals on education in schools, with particular regard to the curriculum, standards of performance, the training and employment of teachers and the preparation of pupils for the needs of adult life (see pp 319-21).

An Act has been passed to amend the criminal law, particularly in relation to conspiracy, and to improve its administration (see pp 335-6); *and the process of reforming the law has been continued with the Administration of Justice Act and other measures* (see p 295).

My Government welcome the passage of the Unfair Contract Terms Act, which marks an important advance in consumer protection. Grants have been made to maintain the provision of help to consumers (see p 486, 1976).

Among the Acts passed in relation to Scotland were measures concerned with the modernisation of the law of marriage (see p 295) *and with the enforcement of planning procedures* (see p 145). . . .

OPENING OF PARLIAMENT

The Queen's speech on the opening of the new session of Parliament – the fourth session of the forty-seventh Parliament of the United Kingdom – was delivered by the Queen on 3 November to members of both Houses in the House of Lords.[1]

The text of the speech, which outlines the Government's policies and programme for the coming session, was as follows:

My Lords and Members of the House of Commons:

My husband and I look back with delight and gratitude on the events which marked My Silver Jubilee at home and overseas, and the visits which we made to many parts of the United Kingdom and the Commonwealth. I look forward to paying a State Visit to the Federal Republic of Germany next May and to opening the Commonwealth Games in Edmonton in August.

[1] See *Hansard*, 3.11.77, Cols 5-9.

In pursuit of peace and collective security, the United Kingdom remains committed to the aims of détente, *disarmament and the prevention of the spread of nuclear weapons. My Government reaffirm their policies in international relations and defence, and will contribute fully to the work of the United Nations, the Commonwealth and the North Atlantic Alliance.*

While working for policies which fully reflect the interests of the United Kingdom, My Government will play a full and co-operative part in the activities, the development and the enlargement of the European Economic Community.

They will continue to contribute modern and effective forces to the North Atlantic Treaty Organisation, and to play their full part in the current Alliance studies of East/West relations and of the Alliance's defence programmes. They are participating constructively in the important meeting in Belgrade which is being held as part of the follow-up to the Final Act of the Conference on Security and Co-operation in Europe; they will abide by the provisions of the Final Act, and continue to seek fulfilment of all its provisions by other signatories. They remain committed to the pursuit of détente *in their relations with the Soviet Union and the countries of Eastern Europe.*

My Government will continue to take part in international efforts to combat recession and promote a more stable world economic order, and a fairer distribution, within an expanding world economy, of the world's wealth between rich and poor nations; they will maintain their special efforts to help the poorest countries and the poorest people.

They will work for a just and lasting peace in the Middle East, and the further improvement of relations between the United Kingdom and all the countries in the area. They will continue to co-operate with all concerned in the search for a lasting settlement in Cyprus, where they welcome the resumption of intercommunal talks.

Efforts will be maintained to achieve a negotiated settlement in Rhodesia, on the basis of My Government's proposals published in September this year, which are designed to provide a secure future for people of all races. My Government will be ready during the current session to introduce legislation to enable Rhodesia to proceed to independence on this basis. . . .

The strengthening of the country's financial position and balance of payments opens the prospect for a continuing improvement in the economy and the maintenance of financial stability. My Government's main objectives are the speediest possible return to full employment and a sustained growth of output. In order to achieve these objectives they will give the highest priority to further reductions in the rate of inflation.

My Government will continue to take action to reduce high unemployment through manpower measures and to promote industrial training.

They will ensure that the benefits of North Sea oil are used to achieve a lasting improvement in our industrial performance and therefore to provide more jobs, higher real incomes and improved public services.

My Ministers will continue to work in close co-operation with the Trades Union Congress and the Confederation of British Industry.

Internationally My Government will continue to urge that the stronger economies should take the lead in promoting a substantial growth in the world and that adequate official finance should be made available on appropriate terms to countries with continuing deficits in the balance of payments.

My Government remain firmly committed to establishing directly elected Assemblies for Scotland and Wales. Separate Bills will be introduced for this purpose.

In Northern Ireland My Government will maintain their aims of establishing a devolved Government acceptable to both parts of the community; and eradicating terrorism by the prosecution through the courts of those responsible for violence and by continuing to develop the effectiveness of the Royal Ulster Constabulary, supported by My Armed Forces. My Government attach special importance to co-operation on matters of security with the Government of the Republic of Ireland. They will continue to seek measures to strengthen the economy of Northern Ireland and improve its social environment.

Legislation providing for the election of United Kingdom members of the European Assembly will be re-introduced.

Further consultations will be held on industrial democracy, with a view to producing proposals which should command general support, and My Ministers will continue directly to encourage the development of industrial democracy in the nationalised industries.

There will be a review of the legislation and institutions governing competition policy, to see that this makes its maximum contribution to improving industrial efficiency.

My Ministers are considering further measures to assist small firms.

They will also hold consultations about encouraging profit-sharing through the tax system.

Legislation will be brought forward to amend company law.

A Bill will be introduced to provide public funds to finance payments to redundant shipbuilding workers in the public sector.

Legislation will be introduced providing for changes in the structure of the electricity industry and other matters affecting the industry.

Continued encouragement will be given to the efficient production, processing and distribution of food with the aim of meeting a greater proportion of our national needs from United Kingdom agriculture. My Ministers will seek improvements in the operation of the common agricultural policy.

My Government will continue to seek major reform of the common fisheries policy. They will aim to secure conditions which will meet the needs of the British fishing industry, conserve fishing stocks, and ensure adequate supplies to the consumer.

A Bill will be laid before you to increase the borrowing powers of the Civil Aviation Authority and British Airways, to provide for a levy to finance aviation security and to amend the civil aviation Acts.

Legislation will be introduced for the further development of transport policy to meet economic

and social needs, including those of rural areas.

Legislation will be brought before you to provide assistance for first-time home buyers.

A Bill will be introduced to renew and revive the inner urban areas.

Legislation will be introduced on the composition and certain functions of the General Medical Council.

In addition to My Government's full programme of constitutional and other reforms for the present Session, they remain committed to bringing forward at the earliest opportunity a number of further highly desirable measures of reform. These measures include improvements in safety and discipline at sea and other aspects of merchant shipping, and the right of Post Office staff to take industrial action.

Legislative proposals will be brought forward for the reform of Section 2 of the Official Secrets Act 1911.

Following the Report of the Committee on the Future of Broadcasting, My Government will bring forward proposals on the constitution, structure and organisation of broadcasting in the United Kingdom.

An increase in the limit on public funds for the National Film Finance Corporation will be proposed before the present limit expires.

Measures will be brought before you to reform public sector housing subsidies in Scotland; to improve criminal procedure and reform the criminal justice system in Scotland; and to extend the powers of Scottish local authorities in relation to their direct labour organisations.

Further progress will be made with My Government's programme of law reform.

Other measures will be laid before you. . . .

Northern Ireland

The Prime Ministers of Britain and the Irish Republic met in London on 28 September and reaffirmed their commitment to achieving the earliest possible restoration of peace and political stability in Northern Ireland. On an industrial promotion tour in the United States during October the Secretary of State for Northern Ireland spoke of American investment in the Province and of the reduction in the level of violence there. He also welcomed a £29 million expansion programme announced for its Londonderry plant by the American firm of Du Pont.

VISIT OF IRISH PRIME MINISTER TO LONDON

The first meeting between the British Prime Minister, Mr James Callaghan, and the Prime Minister of the Irish Republic (the Taoiseach), Mr Jack Lynch, since Mr Lynch returned to office in July (see p 270) took place at Downing Street on 28 September. Also present were the Secretary of State for Northern Ireland, Mr Roy Mason, the Minister of State at the Foreign and Commonwealth Office, Mr Frank Judd, and the Irish Minister for Foreign Affairs, Mr Michael O'Kennedy. The Discussion covered Anglo-Irish relations, the European Community and international developments generally.

A communiqué issued after the talks said that 'the Prime Minister and the Taoiseach were united in reaffirming their commitment in the immediate future to achieving the earliest possible restoration of peace and political stability in Northern Ireland. The Taoiseach welcomed the Prime Minister's statement that the British Government's policy was to work towards a devolved system of government in which all sections of the community could participate on a fair basis and in which the rights of all citizens are fully safeguarded. In the meantime, if there was a general desire, the British Government would be ready to devolve a range of powers to a locally-elected body under arrangements acceptable to both sides of the community.

'The Prime Minister and the Taoiseach emphasised the importance which they attached to security co-operation between the authorities on both sides of the border and expressed satisfaction at the degree of co-operation under the present arrangements. They agreed that, in the context of further Anglo-Irish meetings, there should be continuing consultation about how this co-operation could be developed and improved.

'It was agreed . . . that it would be of mutual advantage to improve practical co-operation between the United Kingdom and the Republic on economic matters. Officials of the two Governments would, therefore, meet in the near future to review the arrangements and opportunities for economic co-operation with particular reference to Northern Ireland. They would review current and proposed cross-border studies and identify subjects and areas for further examination, with EEC assistance where appropriate.'

MR MASON'S VISIT TO UNITED STATES

The Secretary of State for Northern Ireland made a ten-day industrial promotion tour in the United States in October. On his return he said that he had been greatly encouraged at the interest shown in industrial and commercial circles in the investment potential of the Province. During the visit the firm of Du Pont announced a modernisation programme for its neoprene synthetic rubber plant at Maydown, Londonderry (see below), and arrangements are being made for study teams from major textile and electronic firms to visit Northern Ireland in the near future and for five trade union leaders covering most American industries to tour the Province. In a statement during a visit to the Du Pont headquarters, Mr Mason said that at present there were 30 American-owned plants in the Province providing about one job in six in the manufacturing sector – in all about 18,000 jobs. Since 1960, investment by American companies had amounted to almost $700 million calculated at 1976 prices. During the past eighteen months American companies already established in Northern Ireland had announced expansion plans representing an investment of

$48 million (excluding the Du Pont programme of some $50 million).

Reduction in Violence

Addressing the Mid-Atlantic Club in Washington Mr Mason said that for many years the image of Northern Ireland portrayed abroad had been one of violence and destruction; very little had been heard of the way in which the vast majority of the population sought 'to pursue a normal life, to do an honest day's work and to get away from the bitterness that had for so long been a feature of life in the whole island'. To a great extent they were succeeding – because of their courage, determination and commonsense. Northern Ireland was fortunate to have built over a long period a reputation for good labour relations, high productivity and business and commercial acumen.

Progress was being made towards the re-establishment of a normal democratic society within which the rights of all were preserved and respected. A significant milestone in that progress was that in September not a single citizen lost his life as a result of terrorism or any act of violence. The level of violence had dropped drastically over the first nine months of 1977 and the nature of violence had changed[1]; there was now no mass violence in the streets and no mass support for the terrorist. The development of the Peace People in Northern Ireland was a significant symptom of the movement away from violence. The people of Northern Ireland were more and more supporting the forces of law and order who in turn must use the accepted processes of the law and the proper presentation of evidence before the courts.

Mr Mason went on to say that many men of goodwill in American politics had spoken out courageously and honestly against the supply of arms and money to certain people in Northern Ireland. They had done so to good effect and he hoped that the substantial reduction in material support would continue.

DU PONT EXPANSION PROGRAMME

The modernisation of Du Pont's neoprene synthetic rubber plant at Maydown in Londonderry will involve expenditure of £29 million and will provide between 800 and 1,000 additional jobs in the construction industry over a two-year period. The uses of neoprene include door seals, engine mounting pads, car radiator hoses and cable coverings; it is also used in the manufacture of sports goods. The plant came into production in 1960 and employs some 1,800 people.

The company has also decided to consolidate its European production of Orlon at the Maydown complex.

[1] In the first nine months of 1977, 99 people were killed compared with 235 in the same period of 1976. Bomb explosions fell from 606 to 260 and injuries dropped from 2,163 to 1,153. As a result of increasing police success in the detection and apprehension of those responsible, in the first nine months of 1977 over 1,000 people were charged with terrorist-type offences.

EXTERNAL AFFAIRS AND DEFENCE

European Community

In the context of discussions within the Labour Party, the British Prime Minister, Mr Callaghan, has outlined long-term objectives with regard to the development of the European Community, and the Foreign and Commonwealth Secretary, Dr Owen, has made further reference to these. Energy and research ministers have agreed that the Joint European Torus (JET) project should be located at Culham in Oxfordshire and discussed arrangements for oil-sharing and policy for the hydrocarbons sector. Economic ministers have agreed on objectives with regard to reducing unemployment and inflation. The Community has also begun to take part in the negotiations to review the Multi-Fibre Arrangement. Transport ministers agreed some legislation relating to drivers' hours and other matters. Ministers with responsibility for social policy authorised a higher rate of intervention for some projects financed by the Social Fund, and amended legislation affecting migrant workers and the Community's programme to combat poverty. In the field of external relations, Malta and the Community have signed an additional protocol to their association agreement. In the agricultural and fisheries sector, Britain has found Commission proposals for a definitive common fisheries policy unacceptable, and has put forward its own views on the subject. The ban on fishing for herring in the North Sea has been extended to the end of the year. In the absence of agreement on the Norway pout fishing ban, Britain has decided to continue it as a national measure; and the Commission has recommended the British system of variable premiums as a permanent feature of the Community beef regime. These and other matters are covered in detail below.

BRITAIN AND THE DEVELOPMENT OF THE COMMUNITY

Prime Minister's Letter

In response to a document prepared by the National Executive Committee of the Labour Party, the Prime Minister, Mr James Callaghan, described on 30 September the long-term objectives of the Labour Party with regard to the Community in a letter to Mr Ron Hayward, General Secretary of the Labour Party.

Long-term Effect of Membership

The Prime Minister began his letter by stating that the real long-term effect of Community membership was difficult to assess because of the world-wide economic upheavals that had taken place in the years since Britain's accession. He believed that these events accounted for much of the dissatisfaction felt in Britain, but pointed out that there were also aspects of present Community policies which did not work in Britain's interest, and might even work counter to its conception of how Britain and Europe should develop.

Mr Callaghan emphasised, however, that the solution to these problems was not withdrawal from the Community. Apart from the effect of withdrawal for Britain itself, it would cause major disruption to the future of Europe, with potential consequences for the attitude of states like the Federal Republic of Germany, for the United States' relations with Europe, for East-West relations, and for the future of the applicant states (Greece (see p 218), Portugal (see p 218) and Spain (see p 301)). He pointed out that political co-operation among the Nine had made considerable progress and referred in this context to South Africa (see p 365), Cyprus (see p 186), the Middle East (see p 57), and the Conference on Security and Co-operation in Europe (see p 186). The Community was, he said, exerting a stronger political influence than it would do if its members were speaking individually. Mr Callaghan said: '. . . the best way forward for us is to define the essential elements of a distinctive policy that will meet the legitimate concerns and interests of the British people and will strengthen unity and democracy in Europe. In the words of the National Executive Committee document: "We must avoid a purely negative posture".' He added that despite the written constitution of the Community, it was an evolving body, as evidenced by Britain's renegotiation of its terms of membership (see pp 136-44, 1975). 'The task now before the Government and the party is to produce a long-term perspective for reform and change within the Community.' To succeed in such a policy it was necessary for Britain to convince eight other governments; Britain should avoid, he said, the political nationalism which would disregard the ideas and experience of other European democratic socialist parties. The Government's efforts would not carry conviction if it blamed Europe for national

economic ills, such as inflation, unemployment, low productivity and investment, since these problems often pre-dated membership. He thought it possible, however, for Britain to work for Community policies, which, while serving the interests of all, also complemented national economic aims. He said: 'Our main purpose should be to define our aims and objectives so that the British people can see clearly that Labour's policy is best designed to promote their interests inside the Community and to strengthen the unity of the people of Europe within a democratic framework.'

Mr Callaghan referred to six elements on which the Government was concentrating attention:

Maintenance of the authority of national governments and parliaments: Mr Callaghan said that the Government had never accepted that the Community should develop into a federation. He added: 'It is our policy to continue to uphold the rights of national governments and parliaments.' He did not envisage any significant increase in the powers of the European Parliament, and if any such increase in powers was contemplated it would need the 'unanimous consent of the nine member states and of the parliaments. The United Kingdom should make it clear that in our case any change in the powers of the Assembly would require an Act of Parliament and [could] not simply be introduced by an affirmative Order under the European Communities Act.'

Democratic control of Community business: The Prime Minister called for greater parliamentary control over areas of Community work, and said that the flow of information to Parliament, and to the public, should be improved. There was also a need for greater openness in Community procedures, including the holding of some Council debates in public.

Attainment of economic, regional and industrial objectives: In this area, there was concern about how much freedom any individual government had within the Community rules to plan its own industrial and regional strategy. Although there was evidence that fears were exaggerated, there was need for 'constant vigilance on these matters and a need for discussion with other socialist and like-minded parties as well as governments, on both industrial planning policy and the related problems of regional development and unemployment'.

Reform of the Common Agricultural Policy: There was a need for a four-year structural plan to reduce surpluses and to restrain prices. British agricultural production should be selectively expanded, and action on the Community's agricultural prices should be 'knitted into a co-ordinated programme of measures to tackle the problem of surplus production including, where appropriate, measures designed to improve general levels of efficiency and to ease the removal of backward producers from the land'. Some responsibility for subsidising inefficient producers should be shifted from the Community or consumers to national governments. Special measures were needed to safeguard certain forms of agriculture for particular social or regional purposes.

The development of a Community energy policy: The Prime Minister described energy policy as being of fundamental importance to Britain and to the Community as a whole. It could help Britain put its resources to the best use, for instance, in planning the future of the coal industry, and in seeking collaboration on major research projects. There was a 'need to uphold British energy interests vigorously in the Community while taking full account of Europe's shortage of indigenous fuels'.

Enlargement of the Community: Mr Callaghan emphasised that the Government and the Labour Party had always supported the concept of enlargement. The Community should use its democratic political strength to buttress the new democracies of Greece, Spain and Portugal. 'The dangers which some have seen of an over-centralised, over-bureaucratised and over-harmonised Community will be far less with 12 member states than with nine.'

Programme of Reform

These long-term objectives were not exhaustive, Mr Callaghan continued, and he pointed to the efforts that were being made to secure 'an acceptable common fisheries policy [see pp 412-13]. My aim is to conduct a policy of reform consistent with wholehearted membership which would enjoy a great deal of support from our people; namely, a promotion of British interests combined with a positive direction in which the Community could move effectively'. The knowledge that these were Britain's objectives would be known to other members of the Community, and future policy could be considered against this background.

The Prime Minister proposed to invite the National Executive Committee to a discussion with members of the Cabinet with a view to drawing up an agreed statement which would be the basis of Labour's future policy toward the Community. 'With such an agreed policy we would be able, in the process of business within the Community, to work for a coherent programme of reform.' Britain should seek to work with other governments and like-minded parties inside the Community to get a policy of joint action on all or part of the reform programme. Such a course of action would 'enable a united Labour movement to offer the British people a programme of radical reform within an evolving European Community'.

Foreign and Commonwealth Secretary's Comments

The Secretary of State for Foreign and Commonwealth Affairs, Dr David Owen, referred to the Prime Minister's letter in the course of an interview with *Der Spiegel*, published on 17 October, and at a Foreign Press Association lunch in London, also on 17 October.

Englargement

The Foreign and Commonwealth Secretary reiterated Mr Callaghan's view that there was no question that Britain was a member of the Community, but that it had a distinctive view about the future development of the Community. Referring to Mr Callaghan's comments that, following enlargement, it would be harder for the Community to become over-centralised, Dr Owen

stated it had been a strong element of the British criticism of the Community that it was over-centralised, over-bureaucratised, and over-harmonised. He thought this feeling derived from the fact that the original members of the Community had a long tradition of harmonisation which Britain did not have. He pointed out that it was not only Britain that had some difficulty with this aspect of the Community, but that the people of Denmark and the Irish Republic felt similarly. The Federal Republic of Germany had also become a strong critic of bureaucracy in Community affairs.

Dr Owen said Britain's view of enlargement stemmed from a deep political conviction, a conviction that also lay behind the belief that Britain should be a member of the Community. The Community was a political as well as an economic organisation, and although Britain and the other member states would 'pay a price' for enlargement, 'we are prepared to pay that price because of the political benefits and the strengthening of European unity'. He thought that this coincided to a large extent with the Federal Republic's view of enlargement.

Britain and 'Gaullism'

With reference to the suggestion that had been made that Britain was being 'Gaullist' in nature, that is, it was being too nationalistic in its approach to the Community, Dr Owen said that Britain scrupulously adhered to Community regulations, and during its presidency it had worked hard to develop common positions in the Community, particularly at the negotiations for the Conference on International Economic Co-operation in Paris (see pp 228-9). A central theme of Gaullist foreign policy had been to assume that there was a basic dichotomy between 'being a European and being an Atlanticist'. The Foreign and Commonwealth Secretary said: 'It is one of the themes which I have attacked and criticised more than almost any other politician of my generation. I have always been deeply committed to the belief that you can be both a member of the European Community and a convinced European and also an Atlanticist. So I am certainly not going to take Gaullism as being the British foreign policy.'

Future of the Community

Dr Owen then spoke of the 'new debate' that was taking place inside the Community, which related to its future direction. Dr Owen thought the Community should not be afraid if it evolved in 'differing directions and at differing speeds. . .'. 'The most important evolution' over the last five years had been, Dr Owen said, the political evolution. It had been inevitable that, at a time of world economic recession, another avenue (other than the avenue towards economic union) had been chosen for the advancement of European unity. He added: 'If we pull out of the recession then I think you might well see more rapid advances in economic areas and in other areas.' He thought it was 'totally unrealistic to predict, in totally defined terms', the way in which the Community would go forward. 'All I am committed to', he said, 'and very strongly, is that the Community should evolve towards European unity, and I believe it can evolve towards that in ways which we have not yet seen, but in ways which do not challenge the individual national identity.'

ENERGY POLICY

JET Project

The Joint European Torus (JET) project, the Community's thermonuclear fusion research project (see pp 148-9) is to be located at Culham in Oxfordshire. Commenting on the decision, which was made by the Community's energy and research ministers on 25 October, the Secretary of State for Energy, Mr Anthony Wedgwood Benn, said that the Council of Ministers had recognised the scientific excellence of Culham. JET is the first Community research project to be located in Britain.

It is estimated that the construction and initial operation of the project will take five years, and that the final operational stage could continue for a further five to seven years after this. If the Council were to decide in future on the construction of another stage (JET 2), all member states other than the state selected as the site for JET 1 (that is, Britain), as well as the Joint Research Centre in Ispra, Italy, would be eligible for selection as the second site. It is probable that a further experimental stage will be needed after JET 1 before it will be possible to proceed to the building of a prototype nuclear fusion reactor from which commercial reactors might be developed.

Projects in the Hydrocarbons Sector

Energy ministers adopted a decision on 25 October concerning support measures for Community projects in the hydrocarbons sector. This entails the payment of subsidies (repayable in the event of commercial exploitation) between 1977 and 1979 for the implementation of 40 projects needed to ensure the Community's supply of hydrocarbons, to accelerate the development of resources, and to improve the storage and transport conditions for hydrocarbons.

The projects which are to receive Community support are concerned in particular with prospecting, drilling, hydrocarbon production and processing systems, secondary recovery, the different means of transport and storage, and the testing of materials.

Oil-sharing Agreement

Agreement was also reached by Community energy ministers on arrangements for reducing the consumption of energy in the event of difficulties in the supply of crude oil or petroleum products. Community countries have agreed to follow a uniform policy in order to ensure that all bear an equal share of the difficulties arising from the crisis. The system also provides for the savings in petroleum products to be shared out among member states.

ECONOMIC POLICY

Economic Situation in the Community

On 17 October, ministers with responsibility for economic matters met as Council of Ministers to examine the measures necessary for dealing with the

present economic situation in the Community. Approval was given by the Council to the Commission's proposed strategy which includes (1) the intention to pursue a minimum growth rate of 4 to 4·5 per cent in the Community's gross domestic product in real terms, associated with a 1 per cent growth in internal demand and no increase in production costs; (2) an improvement in the situation on the labour market by implementing a more dynamic policy in the area of employment and vocational training and the development of labour mobility; and (3) a reduction in the inflation rate to 8 per cent, with a reduction in the spread of rates to between 4 and 10 per cent. To achieve these objectives it was considered necessary that all member countries should pursue a co-ordinated policy, in collaboration with other industrialised countries. It was recognised that the responsibility for maintaining internal demand lay in the first instance with the economically stronger countries, but that other member states could also make a contribution to strengthening the Community's economy. The Council will examine at its future meetings the implementation of this general strategy.

Textile Negotiations

The Council of Ministers has authorised the Commission to enter into bilateral negotiations and discussions with a number of textile-producing countries, in order to review the Multi-Fibre Arrangement (an agreement to regulate world trade in the textile industry). Britain has, for a number of years, suffered from a steadily deteriorating balance of trade in textiles and initially had raised some objections to the Commission's proposed negotiating stance. The Secretary of State for Trade, Mr Edmund Dell, commenting on Britain's agreement that negotiations should begin, said he believed that the Community was now in a position to enter into talks with a clear idea and understanding of Britain's needs and objectives. He said that the mandate agreed was intended to ensure that imports of those products which were most sensitive would be stabilised, with little growth above the 1976 level. Mr Dell stressed, however, that the Community would take special account of the position of the poorer textile-exporting countries such as India.

TRANSPORT POLICY

Regulations for Road Transport

Ministers with responsibility for transport policy met on 27 October to examine the proposal for the harmonisation of legislation relating to road transport, and some related matters. Agreement was reached on a number of points including (1) the abolition, in the case of vehicles equipped with a tachograph (an instrument which automatically records the driver's hours, the vehicle's speed and distance covered), of the 'double crew' rule applicable to certain vehicles covering distances in excess of 450 kilometres a day; (2) an increase of five hours in the weekly rest period, bringing it to a total of 29 hours; (3) exemption from the use of the tachograph for a period of 18 months from 1 January 1978 for the carriage of goods within a radius of 50 kilometres, or by vehicles with a total laden weight of not more than 6 tonnes; and (4) national derogations from the regulations. This last point means that new member states, such as Britain and the Irish Republic, which find it difficult to adopt these regulations immediately, have been granted a three-year period in which to bring existing national rules into line with Community standards.

Carriage Rates

A further step towards harmonisation of legislation was made when ministers agreed[1] the regulation on the fixing of rates for the international carriage of goods by road between member states. This will enter into force on 1 January 1978 for an experimental period of five years. This regulation provides for a tariff system based either on reference tariffs or on compulsory tariffs. In principle, it involves the retention of compulsory tariffs among the six original members of the Community, and the introduction of reference tariffs for carriage of goods between the Six and the three new member states, and among the latter.

Resolution on Hijacking

The ministers also issued a statement at the meeting condemning all forms of air piracy and terrorism. The statement reads as follows: 'With a view to safeguarding the transport of passengers they strongly urge that specific measures be adopted internationally, as soon as possible, in order to combat criminal violence with all due efficiency (see pp 422-3).

SOCIAL POLICY

Social Fund

The Council of Ministers, meeting on 28 October, agreed to a proposal made by the Commission concerning projects requiring a higher rate of financial intervention by the Social Fund. Under this regulation, projects to be carried out in Greenland, the French overseas departments, the Irish Republic, Northern Ireland, and the Italian Mezzogiorno will benefit from a higher rate of intervention.

Youth Employment

The Commission has been asked by the Council to prepare detailed proposals for Community aid for programmes designed to encourage youth employment in member states, and to strengthen the links between post-school training and the employment of young people. The Commission is also to suggest ways in which member states can achieve the optimum balance between the supply and demand for labour.

Migrant Workers

An amendment is to be made to a regulation concerning the application of social security schemes to employed persons and their families who move from one member state to another. The main objectives of the amendment are (1) to improve the situation of the family of a migrant worker who is living in a member state other than his state of

[1] The Danish delegation had submitted a provisional reservation.

residence, particularly with regard to sickness and maternity insurance; and (2) to enable a worker who is receiving a pension under the legislation of one member state to continue to receive pension benefits while working in the territory of another.

Programme to Combat Poverty

The Council also agreed an amendment to the decision taken in July 1975 concerning a programme of pilot schemes and studies to combat poverty within the Community. This amendment will ensure that action under the programme continues, with financial assistance, beyond the two years originally laid down. It enables the Community to continue until 1980 financing projects currently in progress, and, under certain conditions, provides for the possibility of introducing new projects.

FISHERIES

Common Fisheries Policy

Commission proposals for a definitive common fisheries policy were discussed by the Council during its meeting on 24 and 25 October. A press release issued by the Council (No 1236/77) stated that the discussion had 'enabled it to identify the key problems that remained to be solved by the end of this year'.

Background

Under the policy agreed among the six original members, the Community states were free to fish in each other's waters. However, temporary arrangements – adopted at the time of Britain's accession – authorised the member states to restrict fishing in areas up to six miles from their coasts to vessels from nearby ports traditionally fishing these waters. For the new member states and France, this provision applies also to specified areas up to 12 miles from their coasts. The Treaty of Accession requires the Community to review the policy before the end of 1982. Since accession, all member and many non-member countries' fishery limits have been extended to 200 miles, and restrictions or total bans on fishing by Community vessels have been imposed by some non-member countries; for example, British fishermen have been excluded from their traditional grounds off Iceland. (For more detailed background information, see pp 14, 267-9 and 366; pp 250-2 and 465, 1976; and COI Factel No 669, December 1976, *Britain's Fisheries in the European Community*.)

British Views

The British Government's views on the Community's future fisheries policy were put forward at the Council meeting by the Minister of Agriculture, Fisheries and Food, Mr John Silkin. Summarising his statement in a parliamentary answer (*Hansard*, 26.10.77, part II, written answers, cols 836-7), Mr Silkin said: '... I emphasised the economic, social and political importance of fisheries to the United Kingdom; I called for a common policy which would reflect today's circumstances and, by recognising the importance of the United Kingdom's contribution to the fish resources of the Community[1] and our losses in the waters of third [that is, non-member] countries, would provide a long-term framework for a viable United Kingdom fishing industry. I repeated the United Kingdom's proposal for a variable coastal belt of up to 50 miles around our shores and our readiness, as an alternative, to consider a 12-mile exclusive belt with a dominant preference for the coastal state between 12 and 50 miles. I made it clear that the Commission proposals for allocating quotas did not meet the United Kingdom's needs, and that the proposals on conservation were inadequate in themselves and unsatisfactory because they failed to provide for the continuing right of member states to safeguard the stocks under their jurisdiction in the absence of Community agreement.'

In his statement to the Council,[2] Mr Silkin emphasised the unanimity of agreement within Britain 'on the importance of developing, with the minimum of further delay, a Community fisheries policy that takes proper account of the changes which the general move to 200-mile fishery limits has made to the conditions prevailing at the time when the original members of the Community devised the outlines of the embryo of a common fisheries policy'. Pointing out that the adoption of 200-mile fishing limits had 'greatly extended the area of sea – and correspondingly the fish resources – under United Kingdom sovereignty and jurisdiction', the Minister noted that 'the fishing grounds under the extended United Kingdom jurisdiction are an important element in the Community's fishing negotiations with third countries as well as in the operations of Community fishing fleets'. He stated that 'no Government could hope to defend to public opinion in Britain a Community policy that does not properly take account of this vital fact by according to the United Kingdom fishing industry the preference to which it is entitled'.

Mr Silkin urged the representatives of other member states 'to address their minds to the circumstances of today rather than to the context in which the Six's initial fisheries policy was conceived, before the accession of the United Kingdom, Denmark and Ireland and before the move to 200-mile limits'. Referring to negotiations on fishing rights with non-member countries, the Minister said that it was not possible to reach conclusions on the Community's internal regime separately from the external issues. 'Against that background', he continued, 'the United Kingdom Government considers that the Community's fishery policy must be based upon three basic premises: first, provisions to enable our fishing industry, with good management, to adapt itself and operate viably so as to make its full contribution to our economy, food supplies and employment opportunities; second, well-conceived regulations for the conservation of the valuable fish resources under our jurisdiction; third, effective arrangements for the management of the fishing effort and enforcement of the regulations.'

[1] Approximately 60 per cent of the stocks of fish available to the Community are in British waters (Mr Frank Judd, Minister of State at the Foreign and Commonwealth Office, in an oral answer, *Hansard*, 9.11.77, cols 665-6).

[2] The statement is reproduced in the Ministry of Agriculture, Fisheries and Food's press notice, No 325, 26.10.77.

Mr Silkin said that, in Britain's view, these objectives could best be achieved by the 'variable belt' proposals which Britain had submitted to the Council in May, 1976 (see pp 251-2, 1976). In this, Britain's and the Irish Republic's views were 'very much in harmony', and he had a good deal of sympathy for the Irish proposals for a 50-mile belt round the Republic's coasts. 'I am disappointed', added the Minister, 'that the majority of our Community partners have not shown willingness to discuss the United Kingdom variable belt proposal constructively.' While that proposal remained on the table, he referred to his readiness to explore with the other members of the Council 'the possibility that the preference which the United Kingdom is seeking might be achieved through some alternative combination of a 12-mile exclusive belt and beyond that a belt out to 50 miles in which the coastal state's fishermen would be given a dominant preference (see pp 268-9).

Quotas: Turning to the Commission's proposals, Mr Silkin said that Britain welcomed the Commission's reliance on the authoritative scientific advice from the International Council for the Exploration of the Sea (ICES) in fixing the Total Allowable Catches (TACs). He also appreciated that, within the terms of reference it had so far received, the Commission had sought to make some provision for the special needs of certain countries. 'But', he continued, 'the quota proposals stem fundamentally from historic catch levels in waters now under the jurisdiction of one or other member state. Thus they do not adequately reflect the losses of fishing opportunities which certain members have sustained in the waters of third countries, nor do they show adequate recognition of the factors to which, as I have just explained, my Government attaches the utmost political importance. I note that the Commission has sought to make some allowance for the needs of fishing communities in the more northerly parts of Britain, but the consequences of the new international regime of extended fishery limits are being felt also by other sectors in our industry and understandably they look for this to be made good in the waters now under our own jurisdiction. Proposals which fail to meet these legitimate requirements can only increase the pressure of public and Parliament opinion in the United Kingdom for a wide belt round our coast to be reserved exclusively for British fishermen.'

Conservation: Mr Silkin noted that the essentially voluntary conservation measures introduced by the regional commissions – such as the North-East Atlantic Fisheries Commission (NEAFC) – had repeatedly fallen seriously short of what was needed to restrain overfishing, let alone restore the stocks. With the extension of the member states' fishing limits, the Community had 'a unique opportunity to develop a more effective and radical policy' to rebuild the stocks within those limits. 'We must take the necessary measures *now:* they must be effective, fair and enforceable', he said. He continued: 'I welcome the attempt made in some of [the Commission's] proposals – for example, on mesh sizes – to reflect the long-standing advice of ICES to secure improvements. But I have to record very firmly my disappointment that, taken as a whole, the package of measures still fails to meet the urgent conservation needs of the stocks. There must be decisive action to ensure that industrial fishing is conducted in a manner that does not jeopardise the stocks for human consumption; the controls on by-catches are in desperate need of improvement; the mesh size proposals do not go far enough; there must be an urgent examination of the effective enforcement of these measures.'

Mr Silkin concluded: 'On conservation, as on other aspects of the common fisheries policy, there is a strong and united view in the United Kingdom that the Community has so far failed to shoulder its responsibilities. While we are debating, the stocks are being further depleted. The continuing failure of Community procedures to evolve speedy and effective conservation measures only serves to underline the importance of a continuing provision for member states to introduce conservation measures of a non-discriminatory nature on a national basis, in waters under their jurisdiction, to safeguard the stocks until such time as agreement on a relevant measure can be reached on a Community basis. We see this as an inescapable requirement if the coastal state is to fulfil its responsibilities in respect of fishing grounds under its control and jurisdiction.'

Conservation Measures

Herring

At its 24-25 October meeting, the Council agreed to extend to the end of the year the ban on fishing for herring in the North Sea, which was to have expired at the end of October (see p 366), but to give urgent consideration to the problem of small local fisheries which may be facing exceptional difficulties as a result of the ban.

Norway pout

At the same meeting, the Council had before it a proposal by the Commission to continue until the end of 1977 the ban – due to expire on 31 October – on fishing for Norway pout in an area to the north-east of Scotland (see p 301).[1] Norway pout is processed into fishmeal, which is used for animal feed and fertiliser. The object of the ban was to prevent immature fish of the more valuable white fish species being caught in the small-mesh nets used in fishing for pout.

The Council did not agree to continue the ban. Subsequently, the British Government decided to continue the ban as a national measure, and made an Order banning the fishing for Norway pout in a specified area off the north and east coasts of Scotland from 1 November. This is in line with the Hague agreement, which enables member countries to take national conservation measures on a non-discriminatory basis (see p 61).

AGRICULTURE

Beef

At the Council meeting on 11 October, the Commission introduced a report on the common organis-

[1] The ban was extended from 15 to 31 October at the Council meeting on 11 October.

ation of the market in beef and veal. The report, which the Council is to discuss at a later meeting, proposes changes that would combine intervention buying – as practised in most member states – with direct premiums to producers, on lines similar to the system operating in Britain since 1975 (see p 95, 1975).

Intervention buying helps to stabilise market prices by building up stocks in times of surplus and releasing them when current supplies are insufficient. However, the report notes that intervention poses problems such as the limitation of storage space, deterioration during storage, and absence of stimulus to consumption in times of surplus; while direct premiums have the advantage of assuring reasonable returns to producers, compensating them for price fluctuations, encouraging a switch from milk to beef production [desirable at the time of milk surplus – see p 186], and stimulating consumption in times of surplus [because market prices are allowed to fall to a greater extent than under a 'pure' intervention system]. Under the Commission's proposals, a variable premium would be payable when the market price fell below 90 per cent of the target price.

On his return from the meeting, the Minister of Agriculture, Fisheries and Food, Mr John Silkin, pointed out that the report had drawn attention to the need for less reliance on intervention, and for the Community to adopt the British system of variable premiums as a permanent feature of the beef regime. He said that he had 'welcomed the Commission's acceptance of the principle of variable premiums and the recognition that the present system based on intervention buying is not satisfactory'.

EXTERNAL RELATIONS

Malta

An additional protocol to the association agreement (see p 61, 1976) between the European Economic Community and Malta was signed on 27 October 1977. The protocol provides for the extension of the first stage of the association agreement, with certain improvements, until 31 December 1980, and for negotiations to take place during the 12 months preceding the expiry date to define the content of the second stage of the agreement. The improvements include the granting by the Community of duty-free entry for Maltese industrial goods covered by the agreement, and a number of concessions for some processed agricultural products. Malta will continue to apply the tariff preferences in force on 1 July 1977 for Community goods.

Southern Africa

In October and November the United Nations took two important decisions regarding developments in Southern Africa. On 5 October, following a debate in the Security Council, the Secretary-General of the United Nations announced the appointment of Lieutenant-General D. Prem Chand[1] of India as his representative to Rhodesia. Then on 4 November, after protracted discussion, the Security Council unanimously imposed mandatory sanctions on the supply of arms to South Africa. The Commonwealth Committee on Southern Africa has received a report from its working group on sanctions.

RHODESIA

A meeting of the United Nations Security Council, called at Britain's request, approved a British draft resolution on the 29 September authorising 'the Secretary-General to appoint, in consultation with the Security Council members, a representative to enter into discussions, with the British Resident Commissioner-designate (see p 339) and with all the parties, concerning the military and associated arrangements that are considered necessary to effect the transition to majority rule in Southern Rhodesia'. The Security Council further requested that the Secretary-General should report the result of these discussions to the Security Council as soon as possible; and called upon all parties to co-operate with the representative of the Secretary-General in the conduct of the discussions. The resolution (No 415, 1977) was approved by a vote of 13 in favour to none against, with the Soviet Union registering an abstention and China not voting. Following consultations with members of the Security Council, the Secretary-General announced the appointment of Lieutenant-General D. Prem Chand of India as his representative on 5 October. From 31 October to 10 November the Resident Commissioner-designate, Field-Marshal Lord Carver, visited Southern Africa for discussions with the parties to the Rhodesia problem. General Prem Chand also visited in Southern Africa at the same time.

Statements by Dr Owen

Presenting the draft resolution to the Security Council on 28 September the Foreign and Commonwealth Secretary, Dr David Owen, said that 'the United Nations has been involved in Rhodesia for many years and so in bringing this resolution to the Security Council', Britain was not 'raising a new issue of principle'. For its part, he continued, Britain 'had striven within the international community to bring about an end to the illegal regime and to transfer power to the majority in Rhodesia'. He also 'reaffirmed the depth of the British commitment to seeing at the earliest possible date a transfer to majority rule and an independent free Zimbabwe'.

The Foreign and Commonwealth Secretary explained that Britain had had to 'face the facts that there were many different views about the form of a settlement which will bring about an independent Zimbabwe'. It was 'impossible to reach a total agreement amongst all the parties. What we have striven to do is to produce proposals which the world, the United Nations, and this Security Council

[1]Lieutenant-General Prem Chand, a retired Indian Army officer, commanded the United Nations Peace-keeping Force in Cyprus from 1969 to 1976.

will judge to be fair. Now, at this stage, the crucial issue is to try to end the fighting – to bring about a ceasefire; and until arrangements satisfactory to the parties have been worked out it is very difficult to see us making an overall package which will be acceptable to everybody in this Council. Now the principles on which we have tried to work are these: that Mr Smith and the present illegal regime must stand down before the start of the transition period; a fundamental principle has been that there should be free elections and that there should be one person, one vote. We have', Dr Owen continued, 'advocated a role for the United Nations because we believe it offers assurance to the nationalist leadership by guaranteeing impartiality of elections and guarding against any fears they may have of recolonisation because of a Resident Commissioner under the British Government. But', Dr Owen explained, Britain was 'not asking for a judgment on the United Nations' role at this stage. What we propose is a limited step in our draft resolution, which has the aim of bringing together the parties who have been doing the fighting, so that they can agree on a ceasefire which will lead into the transitional period. We recognise that the parties cannot agree on a ceasefire first and only then discuss transitional arrangements.

'Under this step', Dr Owen explained, 'nobody is required to pronounce on the package as a whole – that will be when we come back to the Security Council at a later stage, and this will only happen after discussions with all the parties . . . .' The draft resolution, Dr Owen continued, 'has been put forward in the genuine belief that this offers the quickest and speediest way of resolving the conflict in Rhodesia and bringing about what has been the objective of the United Nations now for many years – that is, a transfer to the majority in Rhodesia, the creation of an independent Zimbabwe that will bring satisfaction, peace to the people of Zimbabwe, and also stability to the whole of that region of Southern Africa'.

Referring to the Rhodesia question at a meeting of the Organisation of African Unity Heads of Mission in London on 8 November, the Foreign and Commonwealth Secretary said that he would like 'to destroy one myth which seems to have been developed, and that is that somehow Britain is putting the ceasefire before the political settlement. In no sense are we doing so. Anyone who has looked at our proposals will know that, before we can go back to the Security Council, we will have to have resolved all the dimensions of the problem affecting Rhodesia: the transitional constitution and the powers that will operate during that transition; the independence constitution; and the ceasefire. They all three interrelate and certainly have to be resolved prior to going to the Security Council and prior to going to Parliament for an appointment of the Resident Commissioner.' Dr Owen said that at the present moment Britain was trying 'to deal with the issues in slightly different meetings. That is only because of the complexity of both of the major subjects. But we recognise that they will have to be brought together and the package judged as a whole . . . . I have always made it clear', Dr Owen continued, 'that you will never get a resolution of this problem if everyone says that there has to be total agreement upon all aspects. There has to be give and take and compromise on all sides if it is going to be resolved. But I have never believed that you can put aside one problem and only, for instance, deal with the ceasefire. No one is going to give up the armed struggle on either side until they are broadly satisfied about the initiative and the package as a whole.'

On the independence constitution, Dr Owen said that 'certain aspects of the proposals that we put in the White Paper [see p 339] . . . were made clearly subject to further discussion', and he was perfectly prepared to do his utmost to try to widen the areas of agreement on the independence constitution and firm up and make even clearer exactly what legislation will have to be enacted. Dr Owen added that he did not believe that 'anyone who seriously wants a ceasefire would wish to hold up the whole package until the constitution is enacted'. He did think, however, that it would be possible to work out 'a firm, clear statement of intent on the constitution and in more detail than hitherto, and that that will obviously – from the comments that have been received – be necessary before people will put their name to a ceasefire. But the process of reaching agreement on the constitution and the ceasefire will have to go on in parallel and there will no doubt be areas in which people will compromise on one but not compromise on another, and vice versa, but in no way are we putting one before the other.'

If the settlement proposals were to be successful, Dr Owen stated, then all sides would have to be prepared to compromise. 'While the nationalist leaders themselves are divided', he added, 'this issue can only be resolved by an election . . . . No one can look at the Anglo-US initiative in the current state of differences of view between the nationalist leadership and believe that you can drop the election and still call it an Anglo-US initiative. An election between the differing nationalist views and prior to independence is a central element of the Anglo-US initiative. If the nationalist leaders came together and achieved a unanimity, the sort of unanimity we have had in previous situations in Africa, . . . then maybe it would be possible to have a different pattern. . . .' At the moment, however, he had 'no doubt whatever that there will have to be fairly conducted elections . . . if we are to resolve the difficulty and allow the people of Zimbabwe to choose their own leaders and their own Parliament.'

SANCTIONS ON SOUTH AFRICA

By a unanimous vote on 4 November, the United Nations Security Council adopted a resolution (No 418, 1977) imposing mandatory sanctions on the supply of arms to South Africa. The 49 African members of the United Nations had originally wanted the Security Council to introduce economic sanctions against South Africa. Resolutions to this effect were vetoed by Britain, the United States and France on 31 October. The resolution imposing the arms embargo stated that, acting under Chapter VII of the Charter of the United Nations, the Security Council had decided upon the following:

1 that 'having regard to the policies and acts of the South African Government, the acquisition by South Africa of arms and related material constitutes

a threat to the maintenance of international peace and security;

2 'that all states shall cease forthwith any provision to South Africa of arms and related material of all types' and 'shall cease as well the provision of all types of equipment and supplies and grants of licensing arrangements for (their) manufacture or maintenance';

3 to call 'on all states to review, having regard to the objectives of this resolution, all existing contractual arrangements with and licences granted to South Africa relating to the manufacture and maintenance of arms, ammunition of all types, and military equipment and vehicles with a view to terminating them';

4 and 'that all states shall refrain from any co-operation with South Africa in the manufacture and development of nuclear weapons'.

The resolution further calls upon 'all states, including states not members of the United Nations, to act strictly in accordance with the provisions of this resolution'.

By an earlier resolution on 31 October the Security Council called unanimously for the release of prisoners and detainees held under South Africa's arbitrary security laws, the abrogation of the bans on anti-apartheid organisation and news media,[1] and the abandonment of apartheid.

British Policy

In a statement made before the Security Council on 28 October, Mr Ivor Richard, Britain's ambassador to the United Nations, said that 'South Africa must expect to be judged by Western standards. By those standards they are found wanting.' Britain has 'condemned the denial of free speech and personal liberty elsewhere in the world. We condemn it likewise in South Africa .... We want a society in South Africa in which all its inhabitants, irrespective of their race, colour or creed, can freely participate in the country's institutions and in the creation of a non-racial society. We want a peaceful and democratic transformation, rather than disintegration into violence.' Britain believed, Mr Richard continued, 'that conflict can still be averted, but only if the South African Government begins to change its present policies. We are therefore ready to use the political and economic influence at our disposal to urge and encourage change within South Africa but not merely as a punitive measure. It follows from this that our response will in each instance be carefully judged. For many years Britain has observed a voluntary arms embargo against South Africa. We do not co-operate in the nuclear field. Three years ago we sought agreement of British companies operating in South Africa to observe a code of business conduct (see p 155, 1974). The European Economic Community has now published its own code (see pp 365-6), one of the main purposes of which is to encourage the growth of free, non-discriminatory trade unionism, and the equal treatment of workers, irrespective of their race.'

Britain, Mr Richard continued, had carefully considered its responsibilities in the light of recent events and had 'come to the conclusion that the acquisition by South Africa of arms and related material in the current situation does constitute a threat to the maintenance of international peace and security'. Britain would therefore 'accept and vote in favour of a mandatory arms embargo under Chapter VII of the Charter', and expected 'that states not members of this organisation will take immediate and similar action . . .'.

Referring to the pressures from many states for South Africa to be 'totally ostracised', Mr Richard stated that 'we do not want white South Africans to drive themselves into a mental fortress, from which they will be unable to escape'. Mr Richard explained that Britain believed that it 'should be ready to speak and to listen to the South African Government and to all South Africans. Only in this way can we hope to impress upon the white community the imperative need for quick, early and far-reaching changes. The least that the South African Government can do is to rescind the recent closures and arrests. But it can do more than that. It must begin to take serious steps to dismantle apartheid. Cosmetic changes are not enough, and Britain will not accept that they are enough .... Those of us who believe in contact and a graduated response to South Africa, rather than isolation and revenge, do have a major responsibility for seeking those changes which alone can avert a terrible tragedy in Southern Africa. This responsibility is one which Britain does not seek to avoid, and one in which we are prepared to play our part.'

On the issue of economic sanctions against South Africa, Dr Owen told the OAU Heads of Mission, on 7 November, that he had a 'profound doubt as to whether the application of sanctions would bring South Africa to her knees. I have no doubt', he continued, 'that the application of sanctions in some ways would bring some members of the South African community to their knees and I have a fear that it would bring far more black South Africans to their knees.' There was a 'need to be very careful when we look at the whole question about South Africa and sanctions to see how they are going to be applied'. Britain would fulfil its obligations but was obliged to 'look beyond the rhetoric of resolutions . . . to the detail of their implementation and look for a degree of unanimity amongst those countries which are going to have to implement those resolutions . . .'.

Report of the Commonwealth Committee on Southern Africa

The Working Group on Sanctions which had been established following the Commonwealth Heads of Government meeting (see p 258) presented its report to the Commonwealth Committee on Southern Africa in mid-October. The committee adopted a report which was subsequently circulated to Heads of Government. While the report has not been published, its main recommendations were outlined in a press release issued by the Commonwealth Secretariat on 19 October.

The committee was unanimous in agreeing that actions should be taken to seek from the Government of South Africa effective guarantees that petroleum products imported into South Africa or

[1] On 19 October the South African Government banned 18 anti-apartheid organisations, closed the black newspaper, *The World*, and arrested various anti-apartheid leaders.

manufactured from crude oil supplied to customers in South Africa will not in any circumstances whatever be exported to Rhodesia.

The committee also recommended that the governments whose companies supply crude oil or oil products to South Africa, or who are themselves, or through their agencies, engaged in this trade should now make it clear to the South African Government that it faced a stark choice. Either it co-operated with the rest of the international community in providing effective guarantees which will ensure that the evasion of oil sanctions is brought to an end or it placed in jeopardy its own continued supply of petroleum. In making this recommendation, the Commonwealth Committee on Southern Africa stressed the need, in the event that the Government of South Africa was unwilling to give the necessary guarantees or offered guarantees which were not regarded as satisfactory, for seeking from the Security Council a decision to impose in mandatory form an embargo on the supply of crude oil and petroleum products to South Africa itself.

In a concluding paragraph of the report, the committee states: 'In considering these proposals, Heads of Government should be fully conscious of the current attempts to reach a settlement in Zimbabwe. Heads of Government themselves recognised the need to mobilise and exert maximum pressure on the illegal Smith regime on every possible front'. It was convinced 'that the early and sympathetic consideration by Heads of Government of the implementation of these recommendations will notably add to such pressure and thereby reinforce the effort to achieve urgently a solution in accordance with the expressed will of the international community'.

Law of the Sea Conference

A statement on the progress of the Third United Nations Conference on the Law of the Sea and on Britain's position on the issues involved was made by Mr Evan Luard, Parliamentary Under-Secretary of State for Foreign and Commonwealth Affairs.[1] The aim of the conference, which began in 1973, is to reach agreement on a convention relating to the use of the sea for food, navigation and mineral exploitation.

The sixth session of the conference, held in New York, ended on 15 July, after deciding that the next session would be held in Geneva from 28 March to 12 or 19 May 1978. Subsequently, the conference president issued an 'informal composite negotiating text'. In his statement, Mr Luard said that the text contained a number of improvements on the 'revised single negotiating text'. [That text summed up the results of the conference's fourth session which ended in May, 1976 (see p 250, 1976). The fifth session, held in August and September, 1976 (see p 402, 1976), did not produce an agreed text.]

[1] *Hansard*, 26.10.77, part II, written answers, cols 844-5.

In particular, said Mr Luard, the provisions on coastal state regulations affecting ships in territorial seas, the status of waters of the economic zone, and sharing of revenue derived from exploitation of the Continental Shelf beyond 200 miles, contained a number of improvements based on negotiations at the sixth session in which Britain had taken part. There had also been some consideration of the already widely accepted provisions on straits, and development of the text on archipelagic states which Britain could accept. Provisions relating to the settlement of disputes had been further refined. Thus a large portion of the text embodied a substantial measure of agreement or near-agreement.

'We are, however, concerned', continued Mr Luard, 'that the provision defining the Continental Shelf . . . is not completed by the inclusion of the definition of the outer edge of the continental margin, which the United Kingdom and other states support.'

On the international seabed regime, the results had been more disappointing. The procedure used had itself caused the Government considerable concern: part XI of the text did not reflect the discussions which had taken place during the session under the chairmanship of a Norwegian minister, Mr Jens Evensen, but contained some entirely new provisions which had never been discussed at the conference. The most serious feature of the new text was the production control on seabed mineral mining – 'limiting production to 60 per cent of the growth in demand for nickel in any one year[1] – which might make little production from the seabed possible and so severely limit international revenues and the development of a wholly new type of international system'. Mr Luard went on: 'In addition, heavy and vaguely defined financial burdens would be placed on operators. The [proposed International Sea-Bed] Authority would enjoy ill-defined powers, which could create uncertainty and deter investment, as would the provision for review of the entire system after 20 years. Such a system would not meet the Government's objectives in this part of the negotiations, and this part of the text is therefore unacceptable to the United Kingdom in its present form.'

In an answer to an oral question on 9 November, Mr Luard said that the British delegation was seeking further improvements in the negotiating text (*Hansard*, 9.11.77, cols 652-4).

Antarctic Treaty Meeting

Interim measures to safeguard marine life in the Antarctic and the need to accept restraints on mineral exploration in the region were agreed by representatives of the 13 consultative parties to the 1959 Antarctic Treaty at the ninth Antarctic Treaty consultative meeting held in London from 19 Septem-

[1] Nickel is one of the main components of the manganese oxide nodules found on the seabed. It is expected that, of all the minerals likely to be obtained from the seabed, nickel will have the greatest effect on world supply.

ber to 7 October. Such measures were considered necessary. 'In order to protect the unique Antarctic environment and its dependent ecosystem and in order not to prejudice the interests of all mankind in Antarctica'.

In addition to representatives of the consultative nations – Argentina, Australia, Belgium, Britain, Chile, France, Japan, New Zeland, Norway, Poland, South Africa, the Soviet Union and the United States – the meeting was attended by delegates from the other signatories of the treaty – Brazil, Czechoslovakia, Denmark, the German Democratic Republic, the Netherlands and Romania – and from the Federal Republic of Germany. The British delegation was led by Mr George Hall, the Assistant Under-Secretary of State at the Foreign and Commonwealth Office responsible for Antarctica, who also chaired the meeting. The meeting was opened by Mr Ted Rowlands, Minister of State at the Foreign and Commonwealth Office.

Mr Rowlands' Opening Speech

In his opening speech, Mr Rowlands said that the Antarctic, which influenced the world through the atmosphere and the oceans, 'is not a place the world can afford to neglect or to abuse – neglect its resources or abuse its environment'. The Antarctic, he continued 'is at present a virgin continent – and this virginity is one of its most valuable assets. This is a laboratory in which, because of its purity, we can monitor all the effects of man on the world in which he lives. Exploitation of resources will inevitably have its effects on the Antarctic and the sure lesson from our mistakes in the rest of the world is that these effects will be harmful unless they are foreseen and guarded against.'

As in 1959, Mr Rowlands explained, when 'the challenges then posed by the need to know more about the Antarctic induced a farsighted response – the Antarctic Treaty – from which all of us here, as well as the world community, have benefited enormously', so 'the resources of the Antarctic present us with new challenges, calling for equally farsighted and courageous responses . . . . Elsewhere in the world', he added, 'we usually find ourselves trying to catch up with the consequences of our past mistakes. In the Antarctic, the case is different. We have the opportunity, the obligation, and much of the knowledge we need to foresee the results of exploitation and to regulate them in such a way as to keep to the minimum the harmful effect such exploitation will have. And above all, we have a chance to do this while the problems are still ours to solve.'

Turning to the question of how to regulate the exploitation of the continent's resources, Mr Rowlands said that there was a measure of justification in the arguments of both those who wanted such regulation to be based on claims to territorial sovereignty and jurisdiction over continental shelves and fish zones on the one hand, and those who did not recognise such claims, on the other. Neither position, he thought, was 'likely to provide the sole basis for our agreement', but 'without an agreement the Antarctic environment may be despoiled and Antarctic resources decimated once again'.

The consultative parties, Mr Rowlands concluded, had, by virtue of their knowledge of Antarctica, 'the responsibility to reach decisions about the future of Antarctica and the opportunity to ensure that such decisions are wiser than those which could be reached by others. But that opportunity will last only so long as the responsibility is clearly being accepted. Whether we like it or not, one of the tests of the obligation imposed on us by our possession of knowledge is whether the decisions we reach are acceptable to the wider world community. The test of that acceptability will largely depend on the clarity with which we are seen, as we were in 1959, to be serving the long-term interests of the Antarctic and the world community rather than short-term illusions of national advantage . . . . If we fail them, the obligation to come up with answers to Antarctic problems will inevitably devolve on the wider community where the knowledge which we possess about the Antarctic could be dangerously diluted or even swamped. The British Government', he added, 'is confident that we can pass these tests and meet these challenges, instead of leaving behind a moribund treaty as a monument to what might have been. We can construct new models of agreement on the firm basis of all that we have so far achieved.'

Communiqué

In a communiqué issued at the end of the conference, the representatives of the consultative parties recommended that their Governments should urge their nationals and others to refrain from mineral exploration and exploitation while intensive studies were carried out on the environmental implication of mineral resource activities in the area and while an internationally agreed approach to other aspects of mineral resource activities was worked out in meetings to be held during 1978 and 1979. They also recommended that meetings should be held in 1978 to work out a regime for conservation of Antarctic marine life and to ensure that any possible utilisation of them was conducted with proper regard to the Antarctic marine ecosystem as a whole. Interim arrangements were also agreed which would safeguard such resources until a definite regime had been negotiated and which would provide the necessary data on the basis of which conservation measures would be developed.

Reviewing the requirements for telecommunications for meteorological data and the development of such requirements for other purposes in the Antarctic, the representatives decided that a thorough updating and improvement of the network operating in the Antarctic was needed. They agreed that there should be an urgent exchange of data and a meeting of experts on this subject before the next consultative meeting.

The representatives also made progress in drafting a code of conduct for tourists and non-governmental expeditions in the treaty area, and agreed that co-ordinated air transport in the area was the most effective way of using resources and recommended further work to make such co-ordination more efficient. With regard to the question of man's impact on the Antarctic environment, which the communiqué refers to as 'a subject which subsumes all the main preoccupations of the Antarctic treaty powers with

regard to the area', the meeting recognised the prime responsibility of the parties to the Antarctic Treaty for the protection of the Antarctic environment for international scientific co-operation in the area and for its maintenance as a demilitarised nuclear-free zone reserved for peaceful purposes. Special attention was given under this item to the necessity to prevent oil pollution and to the scientific work necessary to deal with this problem in the special circumstances of the Antarctic.

Consideration was also given to the need to ensure that the activities of states which are not parties to the Antarctic Treaty – which is open for accession by all states – should be such as to be in conformity with the principles and practices adopted by the contracting parties to ensure that man's impact on the Antarctic environment should create as little disturbance as possible.

THE ANTARCTIC TREATY

The Antarctic Treaty was signed in Washington in December 1959, a powerful stimulus to its conclusion being the desire to maintain the international scientific co-operation built up during the International Geophysical Year (IGY, 1 July 1957–31 December 1958) and the year of International Geophysical Co-operation (IGC) which followed in 1959. The treaty was originally signed by 12 countries (the present consultative parties except Poland), and has since been acceded to by Poland, Czechoslovakia, Denmark, the Netherlands, Romania, the German Democratic Republic and Brazil.

The treaty is intended to ensure peaceful use of the Antarctic and the free development of international scientific co-operation in the area. It prohibits in the Antarctic all nuclear explosions, the disposal of radioactive waste material, and military activities, though it does not prohibit the use of military personnel or equipment in support of peaceful scientific research. In order to ensure that its provisions are observed, the treaty gives those contracting parties who are entitled to participate in consultative meetings the right to inspect the full scope of another nation's operations within Antarctica. In addition each signatory state is required to give advance notification to the others of all its expeditions, stations, facilities and, if applicable, of its military personnel and equipment.

The treaty provides that no acts taking place in the treaty area while it remains in force should constitute a basis for asserting, supporting or denying a claim to territorial sovereignty, or create any rights to territorial sovereignty, and that during this period no new claim or enlargement of an existing claim should be asserted. Existing claims and interests are safeguarded by a provision that nothing in the treaty should be interpreted as a renunciation by any party of previously asserted rights, claims or basis of claim to territorial sovereignty.

Under Article IX of the treaty, representatives of the consultative parties meet 'for the purposes of exchanging information, consulting together on matters of common interest pertaining to Antarctica and formulating and considering, and recommending to their Government, measures in furtherance of the principles and objectives of the treaty . . .'. Under the rules of procedure, recommendations of consultative meetings must be unanimous. Recommendations have dealt with many subjects, including the conservation of Antarctic wildlife, international exchange of detailed information on operations, scientific programmes, Antarctic telecommunications and some aspects of logistics such as aircraft landing facilities and the notification of unoccupied refuges. At Brussels in 1964 the contracting parties approved the 'Agreed Measures for the Conservation of Antarctic Fauna and Flora', under which the Antarctic continent and islands in the treaty area (south of latitude 60° south) are subject to advanced conservation methods on an international scale. In addition to much activity at consultative meetings, special meetings may be held to discuss and to negotiate conventions on particllar problems. Such a meeting, in 1972, gave rise to the Convention for the Conservation of Antarctic Seals.

For further information see COI Factel No. 608, July 1977, *International Co-operation in the Antarctic.*

Disarmament

PRIME MINISTER'S SPEECH

The Prime Minister, Mr James Callaghan, delivered a speech on current disarmament issues at the Labour Party's Eastern Regional Conference in Cambridge on 15 October. In his speech Mr Callaghan reviewed the progress being made in a number of areas concerned with controlling and preventing the spread of nuclear weapons, and said that Britain associated itself with President Carter's recent commitment to 'work for further reductions to a world truly free of nuclear weapons'.

Mr Callaghan began by stating that since there seemed no alternative to the world moving into the nuclear age, it was important that ways should be found to control and prevent the spread of nuclear weapons. This was a complex matter, but one about which President Carter and President Brezhnev were both deeply concerned. Commenting on the visit to the Soviet Union by the Foreign and Commonwealth Secretary, Dr David Owen (see pp 420-1), the Prime Minister said that it had confirmed his view that there were good prospects for better East-West understanding on these issues. 'It is our judgment', he said, 'that the Soviet Union accepts the fundamental need to remove the shadow of the bomb and to promote a growing understanding of the need for *détente*.'

Turning to the speech made by President Carter to the UN General Assembly in October, Mr Callaghan paid tribute to the President's 'forward position' on disarmament matters, in which he had stated the willingness of the United States 'on a reciprocal basis now to reduce our nuclear weapons by 10 per cent, by 20 per cent, even by 50 per cent', and had pledged his country 'to work for further

reductions to a world truly free of nuclear weapons'. Mr Callaghan welcomed these statements and said that the British Government 'associates itself with these objectives', although he recognised that their implementation was 'far from easy'.

Discussions in Geneva between Britain, the Soviet Union and the United States on a comprehensive ban on nuclear explosions had begun in July. Britain's aim, said the Prime Minister, was 'no less than an effective treaty binding the states taking part to ban all nuclear explosions and to establish adequate means to verify that the signatory countries observe this undertaking'. Mr Callaghan pointed out that there were difficulties as to whether nuclear explosions that were intended for peaceful purposes could be excluded from such a treaty without undermining its value. Although these difficulties had still to be resolved,[1] the three countries were working hard 'for an early agreement that other countries will be willing to join in'.

On the question of the strategic arms limitation talks (SALT, see footnote p 421) between the Soviet Union and the United States, the Prime Minister said that Britain had been kept fully informed of the progress being made, and it seemed that the two sides were within sight of a significant agreement that would limit the total number of weapons held by each side and would restrict certain categories of weapons that were of special concern. This, said Mr Callaghan, would be welcome to the world as 'an indication of the determination of both sides to achieve progress', but it should not be the final destination: it would then be necessary 'to encourage those concerned to work towards an actual reduction in their nuclear arsenals'.

The Prime Minister went on the say that Britain was also active in trying to prevent the spread of nuclear weapons. Its major contribution in this field was through its chairmanship of the meetings in London of the Nuclear Suppliers Group, whose objective was to ensure that the area of commercial competition between supplier states did not weaken the safeguards on the transfer of nuclear equipment, materials and technology. At the Downing Street Summit in May (see pp 226-8), the participating nations had agreed on a series of discussions to find ways of resolving the world's need for nuclear power generation while avoiding the spread of nuclear weapons. Mr Callaghan also spoke of the plan which, as Foreign and Commonwealth Secretary, he had proposed on behalf of Britain at the UN General Assembly in 1975 to encourage the adoption of safeguards whereby states which did not possess nuclear weapons would nevertheless accept safeguards on their civil nuclear facilities (see pp 395-6, 1975). A model agreement to achieve this purpose had been drawn up by the International Atomic Energy Agency, and Mr Callaghan invited states 'to consider this way of showing that they have no intention of acquiring nuclear weapons'.

[1]In the course of a speech delivered in Moscow on 2 November, President Brezhnev said that the Soviet Union was prepared to reach agreement on a moratorium covering peaceful nuclear explosions along with a ban on all nuclear weapon tests. The statement has been welcomed by Britain and the United States, and was described by Mr Callaghan in the House of Commons (*Hansard*, 3.11.77, col 26) as 'a most significant development of Soviet policy'.

Turning to other disarmament matters, Mr Callaghan said his Government had taken a major initiative on chemical weapons by tabling a draft convention at the Geneva Conference of the Committee on Disarmament to ban their production and stockpiling. Britain also continued to press for progress in the negotiations in Vienna on mutual and balanced force reductions (MBFR, see p 221).

In conclusion, Mr Callaghan said that Dr Owen's visit to Moscow had shown that the momentum in disarmament negotiations was not slackening. Britain would continue to maintain its defensive strength at a proper level, and unilateral disarmament by Britain would remove a potent source of influence that it now possessed. 'It is', he said 'by following the road of negotiations that we shall ensure real security for our people.'

Anglo-Soviet Relations

FOREIGN AND COMMONWEALTH SECRETARY'S VISIT TO THE SOVIET UNION

The Secretary of State for Foreign and Commonwealth Affairs, Dr David Owen, paid an official visit to the Soviet Union from 9 to 11 October. During his visit Dr Owen held talks on the further development of Anglo-Soviet relations and on a number of international questions with Mr Gromyko, the Soviet Foreign Minister, and also had a discussion with Mr Brezhnev, General Secretary of the Central Committee of the Soviet Communist Party. On 10 October Dr Owen and Mr Gromyko signed an Agreement on the Prevention of Accidental Nuclear War.

In the communiqué that was issued at the end of Dr Owen's visit, the two sides expressed 'their determination to consolidate and improve their co-operation' in accordance with the documents and agreements signed in Moscow in February 1975 (see pp 96-8, 1975). In this connection, they noted that political contacts carried out under the Anglo-Soviet Protocol on Consultations were an important element of their co-operation, both in bilateral relations and in international affairs, and declared their intention further to develop such contacts. They reaffirmed their intention to promote on a mutually advantageous basis the increase of trade and the development of scientific, technological, cultural and other exchanges between their two countries.

During the discussion of international issues, the two sides agreed that *détente* was 'the essential basis for maintaining and strengthening peace and for developing peaceful co-operation between states irrespective of their political, economic and social systems'. Both sides noted with satisfaction the progress of *détente* in recent years, and declared 'their determination to contribute to its extension to all areas of the world, and to encouraging better and closer contacts and understanding between their peoples, and thus to making progress in *détente* irreversible'.

The two sides regarded the carrying out of effective measures aimed at ending the arms race and at disarmament 'a first priority task'. In this connection, they agreed that the early conclusion of a further agreement on the limitation of strategic arms would be of the greatest importance.[1] They also agreed on the need for practical steps in the direction of preventing the risk of nuclear war and resolving such issues as a comprehensive nuclear test ban, renunciation of the development of new types of weapons of mass destruction, prohibition of chemical weapons and the reduction of military expenditures of states (see p 419). Both sides reaffirmed their support for the Non-Proliferation Treaty (see pp 621-7, 1968), and emphasised 'their mutual determination to work in co-operation with other states for the strengthening of the regime of non-proliferation of nuclear weapons'. They expressed their readiness to do all in their power to promote the success of the talks on mutual and balanced force reductions (MBFR, see p 221) 'on the basis of observance of the principle of the undiminished security of either side'.

Turning to the situation in Europe, Dr Owen and Mr Gromyko noted that in recent years progress had been achieved 'in the establishment of good-neighbourly relations and relations of stable peace'. They underlined the importance of implementing all the provisions of the Final Act of the Conference on Security and Co-operation in Europe (CSCE, see pp 305-12, 1975) in their entirety, and expressed their concern 'to ensure a successful and constructive outcome to the Belgrade meeting'.[2]

On international problems, the two sides expressed their deep concern at the continuing dangerous situation in the Middle East, and pronounced themselves in favour of the early achievement of a just and lasting settlement in that region (see below). They discussed the problem of Rhodesia (see pp 414-15), and set out their respective positions. They agreed on the principle of the earliest establishment of an independent state of Zimbabwe so that 'power should be in the hands of the majority of the local people'.

Anglo-Soviet Agreement on the Prevention of Accidental Nuclear War

The agreement was signed on 10 October by Dr Owen and Mr Gromyko at a ceremony attended by President Brezhnev, Mr Kosygin, chairman of the Council of Ministers of the USSR, and other Soviet leaders. It seeks to maintain and improve arrangements for guarding against the accidental use of nuclear weapons, requires the two countries to notify each other of any accident or unauthorised incident which could result in a nuclear explosion and binds them to act in such a way as to reduce the possibilities of misunderstanding if such an incident should occur.

[1]The SALT I Interim Agreement between the United States and the Soviet Union (see pp 254-5, 1972) expired on 3 October 1977, and although it has not yet been possible to conclude a new agreement during a visit by Mr Gromyko to the United States in September, both sides expressed optimism on the prospects for reaching a SALT II agreement. Furthermore, the United States has declared unilaterally that it would take no action inconsistent with SALT I or with the objectives of the current SALT II negotiations provided the Soviet Union exercised similar constraint.

[2]For details see COI Factsel No 678, September 1977, *The Belgrade CSCE Follow-up Meeting*.

Israel-Arab Relations

MR CALLAGHAN'S SPEECH TO BOARD OF JEWISH DEPUTIES

The Prime Minister, Mr James Callaghan, delivered a speech to the Board of Deputies of British Jews in London on 23 October. In his speech Mr Callaghan outlined Britain's attitude towards a Middle East peace settlement, emphasising both the necessity of a settlement that guaranteed Israel's existence and security, and the need to solve the Palestinian problem 'by setting up a homeland of some kind for the Palestinian Arabs'. The following article summarises Mr Callaghan's speech and gives a brief account of some recent developments in the Middle East as background.

Mr Callaghan began his speech by noting that although the Jewish people had achieved much since the founding of the state of Israel, their nation still lacked what a country most needed and desired – the recognition of its neighbours so that it could live in peace within secure and defined boundaries. The challenge facing both Jews and non-Jews, Mr Callaghan said, was to attain that goal.

The Problem of Security

Turning to the question of Israel's security, the Prime Minister did not believe that this could be guaranteed indefinitely by the occupation of territory. 'That', he said, 'is a standing invitation to continuing tension and the danger of renewed war.' A state had to be 'geographically relevant', but the development of modern weapons had shown that the possession of territory was no longer the only guarantee of security. The Prime Minister said the experience in Sinai was encouraging because it proved that the development of sophisticated electronic devices could give advance warnings and therefore enhance security without the physical occupation of territory.[1] He believed that a variety of demilitarised zones, surveillance techniques and confidence-building measures could all play a part in a final settlement that would reduce the emphasis on the need for Israel to hold territory. However, in return it was vital, said Mr Callaghan, that Israel 'should secure commitments to peace and to the establishment of normal diplomatic, commercial and cultural relations with her Arab neighbours. These commitments must be complemented by sold guarantees in which Israel can have full confidence'. In this regard, Mr Callaghan noted that the United States had expressed its readiness to take part in such guarantees, as had Britain and the other members of the European Community.

Mr Callaghan went on to say that Israel's friends, of whom Britain was one, were well aware of the fears that were expressed in Israel concerning the conclusion of a peace settlement, since Israel's national survival was at stake. Yet Britain had many friends, too, among countries in the Arab world, and they knew that Britain would not abandon Israel. 'We would not support', said the Prime Minister,

[1]This was part of the second Egyptian-Israeli Disengagement Agreement (see pp 343-4, 1975).

'any settlement which jeopardises Israel's existence or security. Our commitment to an acceptable and lasting peace in the region is unqualified and is the ultimate British interest.'

The Palestinian Problem

However, Mr Callaghan warned that an acceptable and lasting peace would never be achieved without the acceptance and understanding of the sense of grievance of those who had lost their homes and livelihood during various stages of the Arab-Israeli dispute. 'There is no prospect', he said, 'of a lasting peace coming about in the Middle East unless the Palestinian problem is solved. We believe the way to solve it is by setting up a homeland of some kind for the Palestinian Arabs.' It was a matter for the parties concerned, not Britain, to say what form that homeland should take, but the Prime Minister said it obviously could not just be in Jordan. 'There are over a million Palestinians in the West Bank and the Gaza Strip who would neither be absorbed by Jordan nor would wish to be uprooted from their present homes. Most of these people are not refugees.' Some means of satisfying their aspirations without posing an unacceptable threat to Israel's security had to be found if peace was to come.

In conclusion, Mr Callaghan said he hoped a reconvened Geneva Conference (see pp 58-9, 1974) would grapple with such 'gut issues', and he looked forward to discussing the prospects for a conference with the Israeli Prime Minister, Mr Begin, on his visit to London in November. Britain, he emphasised, would continue to work for 'a Middle East in which Israel can live in peace with its neighbours, and fulfil the beneficial role which its enormously talented people can play in the area'. Britain supported the present American peace initiative, and although its own contribution might not be a dramatic one, Mr Callaghan said he hoped that the Government and people of Israel would feel that in Britain they had 'a friend who will speak the truth and a friend who will do all in our power to sustain Israel on the difficult road to a lasting peace'.

Background

Since the visit of the Foreign and Commonwealth Secretary, Dr David Owen, to Egypt and Syria in April (see pp 190-1), there have been a number of new developments in the Middle East.

Following the Israeli general election held on 17 May, a coalition Government was formed by the new Prime Minister, Mr Menachem Begin, the leader of the Likud party. As part of its policy guidelines, the new Israeli Government announced its readiness to take part in the Geneva Conference 'on the basis of Security Council resolutions 242 and 338' (see pp 441-6, 1973), in this respect continuing the policy of the previous Israeli Government.

On 29 June the European Council issued a statement on the Middle East (see p 266), which set out the European Community's position on the question of a peace settlement, and was largely repeated in the Belgian Foreign Minister's statement on behalf of the Nine at the United Nations General Assembly on 26 September. Mr Begin visited the United States between 18 and 24 July for talks with President Carter and other Government officials. Soon afterwards the Israeli Government gave formal approval to three Jewish settlements on the occupied West Bank of the Jordan. This move, and the subsequent authorisation of a number of other settlements in occupied territory, have met with disapproval from many nations, including the United States and Britain, on the grounds that they might imperil the prospects for peace negotiations. Discussions on the possibility of reconvening the Geneva Conference were held by the US Secretary of State, Mr Vance, during a 10-day tour of the Middle East from 1 to 11 August, when he visited Egypt, Lebanon, Syria, Jordan, Saudi Arabia and Israel, and these discussions were continued in the United States in September when the Israeli and Arab Foreign Ministers were in New York for the opening of the UN General Assembly.

Then, on 1 October, the United States and the Soviet Union, the two co-chairmen of the Geneva Conference, issued a comprehensive joint statement outlining the principles and objectives for a full Arab-Israeli peace settlement. In the statement the United States and the Soviet Union said that they believed that 'within the framework of a comprehensive settlement of the Middle East problem, all specific questions of the settlement should be resolved, including such key issues as withdrawal of Israeli armed forces from territories occupied in the 1967 conflict; the resolution of the Palestinian question including ensuring the legitimate rights of the Palestinian people; termination of the state of war and establishment of normal peaceful relations on the basis of mutual recognition of the principles of sovereignty, territorial integrity and political independence'. Both countries agreed that 'in addition to such measures for ensuring the security of the borders within Israel and the neighbouring Arab states as the establishment of demilitarised zones and the agreed stationing in them of United Nations troops or observers, international guarantees of such borders as well as the observance of the terms of the settlement can also be established, should the contracting parties so desire', and expressed their willingness to participate in such guarantees, subject to their constitutional processes. They also expressed their intention 'to facilitate in every way the resumption of the work of the conference not later than December 1977'.

Shorter Notes

ANGLO-GERMAN RELATIONS

The Prime Minister, Mr James Callaghan, visited the Federal Republic of Germany for a one-day official visit on 18 October. The visit took place in the aftermath of the operation to free the hostages on the hijacked Lufthansa airliner which had been held by terrorists at Mogadishu. Consultations had been taking place between the Governments of Britain and

the Federal Republic throughout the crisis, and help was given by Britain with the dispatch of two anti-terrorist specialists from the Special Air Service Regiment. Commenting on the success of the operation, Chancellor Schmidt thanked Mr Callaghan for the British Government's support which had been of 'enormous value'. In reply, Mr Callaghan said the Chancellor and his colleagues had been 'fighting a battle not only for Germany, but for the whole world. You have won that battle and the world thanks you for it.'[1]

In a written answer in the House of Commons (*Hansard*, 26.10.77, part I, written answers, cols 700-1) Mr Callaghan again congratulated Chancellor Schmidt on the 'skill and courage' with which the rescue operation had been conducted, and gave details of the offset agreement which had been signed during the visit. The agreement provides for the Government of the Federal Republic to pay DM475 million towards expenditure on barrack and other facilities for the use of British forces in Germany over the next three years. Mr Callaghan noted that it would 'result in a corresponding relief to the British balance of payments'.

[1]A resolution condemning the hijacking of aircraft and calling on all states to improve airline and airport security was subsequently adopted by the United Nations General Assembly on 3 November.

The Economy

On 20 October the Chancellor of the Exchequer spoke on the situation of and prospects for the British economy at the Lord Mayor's banquet for bankers and merchants of the City of London. On 26 October he announced a package of economic measures in the House of Commons aimed at improving the employment situation and increasing growth of output.

CHANCELLOR'S MANSION HOUSE SPEECH

The Chancellor of the Exchequer, Mr Denis Healey, addressed the Lord Mayor's banquet for bankers and merchants of the City of London on 20 October. In the course of his speech he said that there was now a good prospect that, with the help of North Sea oil, Britain would succeed in raising the post-war growth rate over the next ten years, at the same time reversing the decline in economic performance relative to those other countries which had been more successful over the last 15 years.

Progress

The Chancellor began by speaking of the economic successes of the past year. Twelve months earlier sterling had been at its lowest level ever against the dollar, and official reserves had fallen to less than $5,000 million. Following action on public expenditure, measures taken in December 1976 (see pp 22-6), the drawing from the International Monetary Fund (IMF), and the Basle agreement on the sterling balances (see p 63), the current situation was that sterling remained in strong demand while the official reserves had risen to just over $17,000 million at the end of September, together giving clear evidence of continuing international confidence in the British economy.

During this period the Government had also succeeded in maintaining general stability of the pound in the exchange markets. The effective rate index for sterling had been held fairly steady since the beginning of the year, despite major fluctuations in international exchange rates. Mr Healey said that he believed this period of stability had been generally welcome to those involved in trade and industry.[1]

[1]On 31 October the Government, believing that a continuance of the massive inflows of foreign currency, caused by the underlying confidence in sterling and the weakening of the United States dollar against other currencies, could endanger continued adherence to domestic monetary targets, changed the Bank of England's intervention policy, allowing the pound to move freely on the foreign exchange markets.

Financial Ceilings

The Government, Mr Healey continued, was well within the financial ceilings set a year ago. Public expenditure would be within the planned level for 1977-78 (see pp 63-6). All additions to programmes during the course of the year were being met from the contingency reserve. Cash limits had made a major contribution towards public expenditure control and were being maintained effectively this year. Public sector borrowing was running significantly below the ceiling of £8,700 million (see p 22) agreed with the IMF. So far this year domestic credit had been expanding at only about one-third of the rate agreed with the IMF, and despite the effect of exceptionally large inflows of foreign currency, the growth of the money supply on the broader definition had kept within the range of 9-13 per cent a year set out in the Budget (see pp 152-63) – with inevitable fluctuations from month to month. Indeed, over the last 12 months sterling M3[1] had grown by only 7 per cent. Long-term interest rates had been progressively reduced, and short-term rates had fallen to one-third of the level of last year.

Counter-inflation

These successes had helped to reinforce the progress made in reducing inflation. Following the 'impressive success' of the second round of voluntary pay policy and, with a strong pound and stable commodity prices, the year-on-year inflation rate was now falling fast after the setbacks earlier in 1977. The Government's guidelines and the September vote of the Trades Union Congress in favour of maintaining the 12-month rule (see pp 304-5 and 389) had had a powerful influence on the outcome of pay negotiations since 1 August. According to figures published by the Confederation of British Industry, some 98 per cent of the workers who had settled since 1 August had done so within the Government's guidelines. Tax cuts in 1977 had checked the fall in real take-home pay. These developments, the Chancellor said, had significantly improved the climate for pay bargaining and industrial investment. Returning to this theme later in his speech he said that the Government was now well on course to achieve its target of single-figure inflation in the first half of 1978.

Improving Trade

The third major improvement lay in the balance of

[1]M3 is the broader definition of money supply used in Britain and includes, in addition to domestic non-bank holdings of notes and coin, the total of British residents' bank deposits with British banks whether denominated in sterling or foreign currencies.

payments. In 1976 the deficit on current account was £1,400 million (see p 383). In 1977 trade had been moving steadily into balance – somewhat faster than the Chancellor had expected. In the three months to September there had been a surplus of some £500 million on current account, leaving a deficit in the first nine months of the year of some £180 million. This improvement owed much to the steadily increasing output of North Sea oil, but there had also been a very satisfactory growth in the volume of exports, which was 13·7 per cent up in the third quarter compared with a year ago. Exports of manufactured goods – excluding erratic items – had been particularly buoyant, and showed an increase of nearly 3·5 per cent in the third quarter on the second. This had occurred despite the fact that the growth of world trade in manufactures in the first half of 1977 had been slower than expected, at about 4 per cent above a year earlier. Britain had, therefore, increased its share of world trade.

Unemployment

However, in Britain as in nearly all other countries, the recovery in real economic activity had been less than hoped for and expected, although improved retail sales figures suggested that demand may have begun to pick up in the third quarter as consumer price rises slowed down and as the summer tax cuts in the Budget began to take effect. The growth in export volume had made an important contribution to demand, but more growth was needed in Britain and throughout the world – above all because unemployment, after declining between January and May 1977, had since risen substantially.

Mr Healey referred to the annual meeting of the IMF (see pp 373-6, and 429-33) and more recent meetings with his European colleagues and said he had found a universal and growing concern at the failure of the world economy to expand as planned, and at the unemployment and protectionism which inevitably followed on that failure. There were now some 16 million unemployed in the industrial world and the number was still rising.

Balance of Payments and Growth

The Chancellor said that the British and other Governments had repeatedly emphasised the need for growth which had to be led by 'the stronger economies like the United States, [the Federal Republic of] Germany and Japan', although many other countries also had their part to play.

The stronger economies had to expand their domestic demand, Mr Healey said, as they could without increasing inflation – and they had to accept that their balance of payments might go into deficit in consequence. The United States was now in substantial deficit on current account, but half of its deficit resulted from higher imports of manufactured goods from which Britain, like many other countries, had derived real benefit. The Federal Republic of Germany had accepted a significant reduction in its surplus – a reduction reflected in the very impressive increase in British exports to the Federal Republic over the last twelve months. Japan, however, looked like having a current account surplus of some $10,000 million in 1977.

All such surpluses, the Chancellor pointed out, had their counterpart in deficits elsewhere in the world, and when such a surplus in an oil-consuming country was added to the $30-40,000 million surplus of the oil-producing countries, the strains imposed on the international lending mechanism in financing aggregate deficits of this size posed a real threat to the international trading system as it had existed since the war.

Domestic Demand

It was through the international expansion of domestic demand that the world must look for the sort of growth from which all could benefit, he continued. Speaking of how far Britain could contribute to the necessary international expansion of domestic demand and of the action which might be taken, Mr Healey sketched in some of the background against which the decisions had to be made, and some of the problems which had yet to be solved. North Sea oil would continue to strengthen the balance of payments for some years to come and would enable the economy to be run at a higher and more sustained level of demand than would otherwise be possible. The current objective was sustained expansion, as past experience had shown how quickly the trade balance could deteriorate and inflation rise when the economy was expanded beyond its capacity for growth. The benefits of North Sea oil should be used to strengthen Britain's industrial base, so that the growth in demand was matched by a growth of domestic production and employment and not just by a growth in imports. The key to this strengthening of the industrial base, he said, must be a substantial and continuing increase in investment. He called on British firms to fulfil their investment intentions, particularly at a time, as he said, 'when overseas opinion is expressing confidence in the future of our economy, when foreign firms are backing these expressions of confidence with hard cash for new plants in Britain, and above all when working men and women are being asked to show their confidence in the future by continued self-discipline in pay negotiations'. Experience also showed how an over-rapid expansion of demand could generate inflation. When that happened labour shortages could push up wage rates and supply constraints could cause prices to rise further. A worsening of the trade balance would send the exchange rate down and cause prices to rise again. Inflationary expectations drove interest rates up and investment down. The end product would be a higher level of inflation and a higher level of unemployment.

One essential element in striking the right balance between the twin objectives of expansion and low inflation must therefore, Mr Healey said, be a monetary policy which avoided fuelling inflation but allowed sufficient room for growth. He reaffirmed that the Government was committed to controlling the monetary aggregates in general and in particular to respecting the levels set for domestic credit expansion and sterling M3 in 1977-78.

The Chancellor pointed out that only a policy of steady and sustainable growth could produce the real resources without which there could be no real improvement in living standards. To the extent that these resources could be used to reduce the burden of personal taxation, they could also help

to avoid the sort of excess in pay settlements which added to prices and industrial costs. This had been a major objective of the tax reductions in the last Budget and in the July measures (see pp 304-8).

Conclusion

What Mr Healey referred to as a 'massive strengthening' in Britain's financial position was, he said, not simply the natural consequence of the new flow of North Sea oil but resulted from the dramatic success of two years of pay policy, from fiscal policies which had produced a better balance between private and public spending, and from monetary policies which had kept the growth of money supply below the growth of money national income consistently since 1974. He believed there was another sense in which 1977 might come to be seen as a turning point in Britain's economic affairs. The decade which ended in 1973 had been one in which countries such as Japan and the Federal Republic of Germany had made progress not only in relation to Britain but also to the United States. In a decade of rapid growth in the world economy they had benefited through a massive increase in their exports of manufactures. He believed that the current check to growth was falling on those who had grown fastest in the former period. These countries faced the need to restructure their economies to the prospects of slower growth, smaller increases in world trade and a different balance between export and home demand. In such a period, the composition and direction of trade inherited by Britain 'should prove less of a handicap than it was in the 1960s'. Furthermore Britain could complete the adjustment of its trading patterns to membership of the European Community. There was a good chance, he said, 'that with the help of North Sea oil we shall succeed in raising our post-war growth rate over the next ten years while others grow more slowly than in the past'.

ECONOMIC MEASURES

A number of economic measures designed to improve the outlook for employment and bring the growth of output on to the intended path were announced by the Chancellor of the Exchequer in the House of Commons on 26 October. The measures announced would cost a little over £1,000 million in the current year and £2,000 million in 1978-79. Their effect would be to raise output by about 0·5 per cent in the first quarter of 1978, rising to about 1 per cent in the first quarter of 1979, and increase employment in these quarters by 30,000 and 170,000 respectively.

Economic Situation

In his opening statement (*Hansard*, cols 1437-45), Mr Healey said that since the House of Commons had debated the economic situation in July (see p 304), the improvement in Britain's financial position had been greatly strengthened. Confidence in Britain's future had been powerfully reinforced both at home and abroad. As a result the Government was in a position to take further measures to improve the outlook for employment and to bring the growth of output on to its intended path.

As in his Mansion House speech, the Chancellor made it clear that the Government aimed at a steady and sustained expansion and was determined to avoid the risk of overheating the economy with the damaging consequences for growth, inflation and the balance of payments seen four years ago. For this reason, Mr Healey continued, the decisions he would announce were part of a programme for economic expansion spreading over the next 18 months. The Government's main objective was a continuing fall in the level of unemployment. In framing measures to this end it had been guided by four main considerations: the measures should be quick-acting; they should reinforce the attack on inflation and assist the industrial strategy; they should be fully consistent with the Government's financial commitments for the current year; and they should run no risk of over-extending finances in 1978-79 or of unnecessarily prejudicing the possibility of further measures in the next Spring Budget.

The Government's basic economic strategy remained as the Chancellor had described it in his March Budget (see p 152). Mr Healey stated that he now saw scope for measures within the framework of that strategy costing a little over £1,000 million in the current year and £2,000 million in the next financial year.

Proposals for 1978-79

The Chancellor first described measures affecting the next financial year 1978-79. The House of Commons had decided in the summer to commit the Government to increasing personal tax allowances each spring in line with the rate of price increase over the previous calendar year unless it sought explicit permission to do otherwise (see p 305). The Government therefore planned to raise tax thresholds for the next financial year as laid down in the Finance Act 1977. This was likely to require a 12 per cent increase in personal allowances above the level set by the Act, at a cost of about £1,200 million in a full year (see below).

In the summer the Government had announced very substantial increases in child benefits for the coming year (see p 304), measures to implement the Holland Committee's proposals on manpower and training (see p 278), and a major increase in the number of children eligible for free school meals (see p 304); together these increases in public expenditure would cost some £475 million at 1977 Public Expenditure Survey prices.

The Government recognised that exceptional difficulties were now faced by the construction industry. It had therefore decided to increase expenditure on construction next year by the central Government and local authorities by £400 million at Survey prices over and above the existing plans. The allocation of this additional amount between different programmes would be announced as soon as possible. The full effect of this decision would be to increase employment by some 30,000.

The Government had also decided on certain smaller increases in public expenditure programmes for next year. The overseas aid programme would be increased by £20 million and the law and order programme would be increased by £9 million to provide additional resources for police cadets, civilian

support, police vehicles and equipment, and also for the prisons and the community service schemes. There would be additional provision in the social field to help the disabled by a further increase in mobility allowance next year, and to ease the strain on hard-pressed health authorities. There would be provision to enable schools to take on some more teachers to meet the needs of children in deprived areas and for small additions to the budgets for science and the arts. The Survey would be completed and the usual White Paper published around the turn of the year. This would also incorporate any further adjustments in the expenditure figures, such as any changes resulting from discussions with the banks about the refinancing of export and shipbuilding credits.

The Chancellor stated that beyond these decisions on income tax and public expenditure in 1978-79 he had left himself free to make further changes in the 1978 Budget according to developments in the economy and particularly the prospect for inflation. If economic and financial circumstances permitted, he intended to make some further reduction in the burden of personal taxation. For example, as he had explained in his Budget statement last March, there was a strong case for reducing the poverty trap by progressively raising the personal tax thresholds until they stood clear above the levels of the main social security benefits. There was also a strong case for introducing a reduced rate band of tax.

However, there could at this stage be no assurance that the economic situation would in fact permit a further net reduction in taxation, over and above the major reliefs which he was announcing. The scope for any further move in this direction, and a reduced rate band of tax, in particular, could be very expensive, would depend crucially on the development of the economy between now and next April and above all on the trend of pay settlements, measured against the Government's guidelines.

IMF Standby

Mr Healey then turned to certain aspects of Britain's overseas financial position. He said it would clearly be wrong, in present circumstances, to take up any further drawings on Britain's standby with the IMF. The Government would therefore not take up at the end of November the 310 million special drawing rights which then became available. The managing director of the IMF had been informed of this decision. Britain's full drawing rights under the standby would, of course, remain intact. The Government intended to keep the standby in place until its expiry at the end of 1978, and mid-term discussions with the IMF on Britain's economic strategy would shortly be taking place as envisaged in the Government's Letter of Intent.

Exchange Control

The change in Britain's financial situation also made possible some adjustments in exchange control. Mr Healey said that first he would make certain changes intended to help maintain or increase the overseas earnings of the financial services sector. For this purpose he was relaxing somewhat the rules governing the amounts which insurance companies, banks and merchants are allowed to retain in foreign currency for the purpose of their businesses.

Secondly, he was further liberalising the rules permitting non-resident controlled manufacturing companies to borrow sterling for investment in their business in Britain.

Thirdly, he had decided to relate more closely to current money values the rules governing travel abroad, cash gifts and the basic allowances for emigrants.[1] For example, the foreign currency facilities which could be obtained from authorised sources without reference to the Bank of England were being increased from £300 to £500 per journey for holiday travel and from £75 to £100 a day within a £3,000 maximum for business journeys.

Small Firms

Mr Healey said that, as the House of Commons knew, the Chancellor of the Duchy of Lancaster and the Chief Secretary and the Under-Secretary of State for Industry had been studying the problems of small firms. This study was still continuing, but he was now able to announce its first conclusions – mainly but not exclusively concerning changes in taxation.

It was argued that the taxation of business transfers was an inhibition on the growth of small firms. The 30 per cent business relief for capital transfer tax would therefore be increased to 50 per cent and it would be extended to deferred charges on forestry. There would also be a relief of 20 per cent for minority holdings in unquoted companies. These additional reliefs would be limited to transfers of up to £500,000. The Chancellor had also decided to increase the threshold for liability to capital transfer tax from £15,000 to £25,000, with each band £10,000 higher than at present. These changes would apply to transfers from 27 October. The total cost would be £10 million in the current year, £65 million next year and £100 million in a full year.

To encourage businessmen to retain their profits in the business, Mr Healey had decided to increase the threshold for the apportionment of trading income of close companies to £25,000. This would cost up to £5 million next year and £20 million in a full year.

The Government would also be considering before the 1978 Finance Bill certain further tax changes which could be of substantial help to small firms.

There were two proposals to encourage new businesses: the possibility of carrying back losses in the early years of an unincorporated business to set against the owner's other income in earlier years; and allowing relief from capital gains tax where a loss was made on a loan to a business. Then there was the possibility of tax facilities to help farmers and perhaps other unincorporated businesses to plan their investment programmes. In addition, the Chancellor of the Duchy of Lancaster would be announcing a number of other measures costing about £500,000 in the current year, 1977-78, and £2·5 million in 1978-79, which would help smaller firms to increase investment and employment.

[1]Emigrant families may now take out £40,000-worth of sterling assets with them, compared with the previous limit of £20,000 if their destination was a country of the Overseas Sterling Area, or £5,000 if it was elsewhere outside the Scheduled Territories.

Income tax

Mr Healey then turned to his fiscal proposals for the current year. He said that Britain could now be confident of substantial headroom below the ceiling which he had set for the public sector borrowing requirement (PSBR) this year. It was important that advantage should be taken of this headroom by measures which were quick-acting and which had a maximum effect in bringing unemployment down as soon as possible. The measures should also, if possible, reinforce the Government's attack on inflation and its commitment to the industrial strategy. This pointed strongly to the speediest possible reduction in income tax.

He had therefore decided to bring forward the 12 per cent increase in the main personal income tax allowances which he had just undertaken to make next April in accordance with the Finance Act 1977, and to implement it straight away. In order to make room for the additional work the Government had decided to exempt from tax for the current year, 1977-78 only, the increase in National Insurance pensions and in other social security benefits which would come into effect in November (see p 243). The cost of this would be £40 million. This further raising of tax thresholds meant that the single personal allowance would be increased by £100 to £945; the married allowance would be increased by £160 to £1,455; there would be a consequential increase to £510 in the additional personal allowance; and there would be a similar percentage increase to new totals of £1,250 for the single age allowance and £1,975 for the married age allowance. These reliefs would have effect in the normal way from the beginning of the present fiscal year. The cost would be £940 million in the current year. These further increases in personal allowances would take around 900,000 people out of tax altogether. This was in addition to the 1·2 million people already taken out of tax by the Finance Act 1977. The relief would be worth approximately 65p a week for a single person paying basic rate tax, and £1·05 for a married man. These reliefs would represent a significant further addition to take-home pay in the current pay round. For a married man on average earnings they would be the equivalent of an addition of £1·74, or nearly 2·25 per cent, to his weekly gross pay. When the effect of the tax reliefs in the Spring Budget were added in, this figure rose to the gross equivalent of some £5 per week, or nearly 6·5 per cent. This was, of course, in addition to the 10 per cent average increase in gross earnings which was provided for under the Government's pay guidelines (see p 304). The overall total of some 16·5 per cent contrasted with an increase in retail prices which was now well on course for single figures in the first half of next year. This meant some increase in living standards in the current pay round. The Chancellor said he looked to those responsible on both sides of the negotiating table to give full weight to these considerations in reaching settlements during the remainder of the pay round.

Assistance for Pensioners

Mr Healey said that he did not think it was right at a time when working people as a whole were receiving a cash rebate to do nothing similar for those who had retired. The 2·5 million pensioners who now paid tax would of course benefit from the measures he had already announced. However, the majority of pensioners did not pay tax and the Government had therefore decided to pay a special tax-free bonus of £10 to pensioners in the week beginning 5 December. The cost of £100 million would be met from the contingency reserve.

The Government would introduce early in the next session a Finance Bill and the necessary resolutions to implement the proposed tax reliefs for the current financial year. The proposed reliefs for capital transfer tax and other changes affecting small firms would be provided for in the Finance Bill following the 1978 Spring Budget.

The Economic Prospect

The Chancellor stated that these measures would raise the PSBR to a figure now estimated at some £7,500 million in the current year and to about £7,000 million in 1978-79. Both these figures were within the Government's ceiling and were consistent with keeping growth of the monetary aggregates in the current year within the Government's financial commitments and with a similarly firm control of monetary growth in 1978-79.

The measures were estimated to raise domestic output by about 0·5 per cent in the first quarter of 1978, rising to about 1 per cent in the first quarter of 1979. This could produce an increase in employment in these quarters of 30,000 and 170,000 respectively and lead to a reduction in unemployment, compared with what it would otherwise have been, of some 20,000 and 110,000 respectively. But the prospects for the economy as a whole depended crucially on what happened to inflation. The Chancellor said he was publishing the same day a further half-yearly economic forecast as provided for under the Industry Act 1975. This forecast assumed an average earnings growth of 10 per cent in the current pay round consistent with the Government's guidelines. On this critical assumption, the growth of domestic output could strengthen significantly over the next 12 months to a figure in the region of 3·5 per cent. Growth at this rate would be rather above the trend growth of productive potential.

Mr Healey said that the timing and scale of unemployment movements had proved extremely difficult to predict but growth at this rate, if it could be sustained and built on, would turn the trend of unemployment firmly downwards. Within this overall rate of growth, there should be a considerable recovery in real take-home pay and personal consumption. The rate of price increases could continue to fall to a level by the end of 1978 not far above that of Britain's main competitors.

By contrast, however, if pay entitlements edged up towards about 15 per cent, and the rate of inflation moved back into double figures, Britain was likely to be faced not only with slower growth next year but also with less scope for fiscal relaxation. Thus Britain was now at a turning point. If it faltered now it could lose the ground that it had gained in the last 12 months and could find itself once more wrestling with high inflation, slow growth and rising unemployment.

Mr Healey concluded by saying that he believed that the measures which he had announced would

help the British people to choose instead a better course – to build on the gains that they had already won and to achieve a sustained reduction in inflation together with a steady growth in jobs, in output and in living standards.

Opposition Views

Sir Geoffrey Howe, chief Opposition spokesman on Treasury and economic affairs, said that the whole House of Commons would welcome the improvements in the basic financial indicators of which Mr Healey had spoken; but he said that the Opposition would be watching with care to ensure that the Government's forecast borrowing requirements were in line with the requirements of the International Monetary Fund because the conquest of inflation remained far and away the most important contribution that the British economy could make towards restoring the health of the world economy. He also expressed concern that the increase in expenditure on overseas aid was more than twice the increase in expenditure on the police and law and order, and said he hoped that the Chancellor would continue to restore the real value of tax thresholds and begin to lighten the burden of tax represented by the standard rate.

International Monetary Fund

The slow pace of recovery in the world economy was the primary focus of attention at the thirty-second joint annual meeting of the governors of the International Monetary Fund (IMF) and World Bank Group. Mr Witteveen, the IMF's Managing Director, said at the closing session that the immediate task was to restore a satisfactory rate of recovery and expansion while continuing to make progress in reducing inflation. He had found 'a very broad measure of agreement that we should not change the strategy of policy', agreed in the 1976 annual meetings in Manila (see p 428, 1976), where emphasis was placed on restoring price stability and balance of payments equilibrium. 'We have been blown off course', Mr Witteveen said, 'and we now need to make the necessary adjustments to get back on course.'

ANNUAL REPORT

In his address to the meeting held in Washington from 26 to 30 September[1] and recorded in the 10 October issue of *IMF Survey*, Mr Witteveen said the annual report provided a comprehensive review of developments in the world economy and in the international monetary system. However, since the present situation was complex and significant developments had occurred since the preparation of the report, Mr Witteveen said he would like to single out a few key issues for discussion as well as touching on some important aspects of the IMF's work.

Pace of Recovery

Mr Witteveen first commented on the pace of recovery from the severe international recession of 1974-75. He said it might be recalled that expansion of production in the industrial countries proceeded on a generally satisfactory course in the initial phase of the recovery, that the rate of expansion showed an unexpectedly sharp slowdown during the latter part of 1976, and that this 'pause' was then followed by a fairly widespread recovery in the tempo of economic activity. It was now evident that during the past few months the pace of recovery had faltered again in a number of the industrial countries, especially in Europe. In the Federal Republic of Germany, real gross national product (GNP) in the second quarter had failed to show any increase. Economic expansion had continued to conform closely to expectations in the United States, while easing markedly in Canada. In Japan, there was a fairly rapid expansion of real GNP during the first two quarters of 1977; but this centred on export gains and higher government expenditures, and the growth of private domestic demand and of the volume of imports was not satisfactory. Several of the industrial countries, including both the Federal Republic of Germany and Japan, had responded to these unexpected developments by adopting stimulative measures.

One distressing aspect of the current situation was the prevalence of high unemployment. For the industrial countries as a group, the overall rate of unemployment remained close to its recession peak of two years ago and was substantially above the levels that prevailed during the 1960s and early 1970s. This was rightly a matter of serious concern for national governments. Various types of specific measures now in widespread use might be of help to deal with the structural aspects of unemployment, but any major reduction in unemployment levels could only stem from markedly higher rates of economic expansion. The situation presented an acute dilemma, since the harsh experience of recent years had made governments understandably reluctant to switch from anti-inflation policies to a more aggressive stimulation of domestic demand.

On the inflation front, rates of price increase in most member countries had been brought down from their exceptional levels of 1974 and 1975 but were still much too high to be considered acceptable. Mr Witteveen said he believed that national authorities would agree that inflation remained a generally severe problem. As he had observed at the 1976 annual meeting, in a longer-term perspective, inflation redistributed wealth and income arbitrarily, undermined confidence, reduced investment incentives, and misallocated resources.

Situation of Major Groups of Countries

Among the industrial countries, the overall rate of price increase was still running at an annual rate of almost 7 per cent this year – only about half as high as in the second half of 1974 but well above historical standards. This overall rate concealed wide differences among individual countries. As measured

[1]See p 373 for a summary of Britain's statement at the meeting.

by the comprehensive GNP deflators, the rate of inflation was relatively quite low in the Federal Republic of Germany and Japan, and it was also below the industrial country average in the United States. Within the industrial world, inflation rates were by far the highest in Italy and Britain, although the stabilisation programmes adopted by those two countries in the course of 1976 had begun to produce some significant declines.

Among the non-industrial or primary producing countries, the economic picture was very mixed. In the more developed countries, the growth of total output lagged well behind that of the industrial group, and this year's increase in their consumer prices was expected to average some 15 per cent. The non-oil developing countries, which were less affected by the global recession than other groups of oil-importing countries, achieved a growth rate of about 5 per cent in 1976 and were likely to show a still higher rate for the current year. The record of these developing countries with respect to inflation was quite uneven, but most of them had achieved some success in reducing their rates of increase in consumer prices. For the oil-exporting countries, growth of output in recent years had averaged about 9 per cent annually, whereas consumer prices had been rising at a rate of over 15 per cent.

The Pressures for Protection

The domestic and external economic difficulties of the past few years, particularly the high level of unemployment, had given rise to pressures for protectionist measures in some of the major trading countries. These countries had generally managed to resist such pressures and had avoided imposing across-the-board trade restrictions to safeguard their balance of payments. Recently, however, there seemed to have been a weakening in the commitment of some countries to a system of international trade free from restrictions and discrimination. One sign of this had been a gradual but definite spreading of selective restrictions on imports; other signs had been the negotiation of so-called voluntary restraints on exports and the interest being expressed in the organisation of markets. Such restrictions added to the difficulties of adjustment for weaker countries, and particularly for those developing countries that had increased their manufacturing capacity and now depended heavily on an open and expanding system of world trade. Although protectionist measures might be a natural response to high unemployment and low growth rates, such measures were unlikely to provide anything other than very short-term relief for these problems. The growth of international trade would undoubtedly be impeded by a proliferation of trade restrictions, with inevitable repercussions on the countries imposing them. It was, however, encouraging that on several occasions governments had publicly reaffirmed their opposition to protectionism and stressed their intention to pursue vigorously the wide-ranging trade negotiations in Geneva. Mr Witteveen stated that he very much hoped that these negotiations would be successful and that they would provide a new impetus to the expansion of world trade.

Unrealised Expectations

Mr Witteveen said that he had already noted that members of the fund were confronted by the problems of generally subnormal growth rates, high unemployment, and rising protectionism. These problems prevailed in an economic environment dominated by the persistence of inflation, coupled in some countries with weakness of the external position. In this situation, the industrial countries, and most other member countries as well, had been placing a primary emphasis in their demand policies on combating inflation and, where necessary, strengthening the external position over the next few years. This priority was based on the firm belief that such an approach would yield the best results for economic growth and employment in the longer run. At the same time, the approach being followed envisaged, at least for the industrial countries as a group, achievement of a rate of economic growth sufficient to permit a gradual reduction in unemployment.

This general strategy of policy was recommended in the 1976 annual report, and national targets and expectations were broadly consistent with it. The difficulty that was now emerging very clearly was that these expectations had not been realised. The pace of economic recovery in the industrial countries as a group had become so slow that it was adversely affecting employment and foreign trade (including the exports of developing countries) while encouraging protectionism. This was a matter for serious concern.

Reasons for Slackening

One question that immediately arose, Mr Witteveen continued, concerned the reasons for the 'pause' in cyclical recovery and expansion during the second half of 1976 and of the further slackening in the pace of activity that had occurred in recent months. In part, the explanation could be traced to the conduct of fiscal policy. Throughout the industrial world, some of the fiscal stimulus supplied in 1975 was withdrawn in accordance with the plan of exercising restraint over the rise in aggregate demand during the recovery phase of the cycle. However, in a number of industrial countries, the shift of fiscal policy in the direction of restraint had turned out to be greater than was intended. The latest surprising 'shortfall' in fiscal expenditures had appeared in the Federal Republic of Germany, where indications were that the reduction in the public sector deficit this year would again be larger than planned.

The decision of industrial countries to shift the stance of fiscal policy in 1976 was based on one key assumption: that fixed investment would soon resume expansion and would become a major factor in sustaining the rise of general economic activity during the second half of 1976 and beyond. In the event, as was well known, the behaviour of business fixed investment had been very disappointing – quite contrary to the pattern of previous economic recoveries. In retrospect, this was not surprising in the case of those countries which found it necessary to adopt very restrictive demand policies in order to deal with large payments imbalances and severe inflation. But the growth of investment had also been lagging in economically stronger countries, although in the United States it had gained momentum over the past few quarters.

Mr Witteveen said that immediate explanations of

the unusual behaviour of investment could, of course, be sought in the depressed level of profits and the relatively low rates of capacity utilisation. But such factors were also present in earlier recessions. It was clear that a number of somewhat different influences must underlie the depressed state of fixed investment. He believed that of basic importance was the cautiousness of the business community in the face of various kinds of uncertainty. In differing degrees among countries, there was uncertainty with respect to the future rate of inflation, the extent and character of government regulations, the movement of exchange rates, the risk of further trade restrictions, and the maintenance of political stability. In addition, cost-price relationships, notably with respect to the sharply higher cost of energy, had probably had an unusually depressive effect on the profitability of investment in recent years. For many industrial countries, certain structural changes in the world economy might also be hampering investment; for example, the success achieved by developing countries in the expansion of their manufacturing capacity meant that some sectors of industry in industrial countries were becoming unprofitable and should contract.

A General Strategy

In the present complex situation, Mr Witteveen said, there were no easy solutions to the problems posed by lagging investment and slow economic growth. The problems were interrelated, and the emphasis of any policy approach was bound to vary from country to country. But a few guidelines might be suggested.

First, it was necessary to emphasise that steadiness in pursuing a certain strategy of policy was highly desirable from the standpoint of reducing uncertainty and encouraging investment. Such a steadiness did not call for the 'fine tuning' of policies, which was neither feasible nor conducive to the restoration of public confidence in government policies. But it did imply the need to adjust policies in time to avoid cumulative deviations from an equilibrium path over the medium term. As he had mentioned earlier, the fund supported the strategy of economic policy that had been followed by the industrial countries, and it had recommended that, in the current inflationary environment, governments should not shade policy risks on the side of growth, as they had done in the past. This recommendation was followed by most governments, but national targets and expectations now seemed to have been missed in a downward direction. The growth of domestic demand had been significantly less than that required by the IMF's strategy, particularly in countries with strong external positions. This lag in demand growth should now be decisively corrected. In addition, Mr Witteveen believed that some special efforts could and should now be made to reduce inflation.

In the current environment of high inflation combined with economic slack, it would seem especially necessary for governments to do whatever they could in the difficult field of incomes policy. In this context the marked declines in primary commodity prices that occurred in the middle months of 1977 provided a good opportunity to bring about a deceleration of wage and price increases. This could be strengthened by providing fiscal stimulus, in the countries where needed, in the form of tax reductions. In the design and operation of incomes policies, an effort could be made to take these two elements into account in such a way as to have a maximum effect on wage and price movements. Even if a general strategy of policy was pursued steadily, and special efforts were made to reduce inflation, some additional steps would still need to be taken. These might include, for example, policies designed to improve supply conditions and alleviate cost pressures. Also, in view of the structural difficulties being encountered in a number of sectors, many industrial countries needed to develop an active policy for structural reorientation and rationalisation of manufacturing industries; this should be done with a clear objective of providing more room for imports from developing countries and helping to bring about a favourable climate for the international division of labour in a free trade system. Finally, even though the essential prerequisites of higher investment were a further reduction in inflation and return to a more stable economic environment, investment could and should be strengthened by policies to improve the rate of return on capital. In developing countries, the incentives to invest, especially in manufacturing capacity, would be enhanced if their products had freer access to the markets of industrial countries. Also, the very fact that developing countries found it difficult to generate sufficient domestic saving for investment programmes underlined the importance of raising the flow of capital and aid from the industrial countries to the developing world; this, in turn, would lead to additional demand for the exports of the industrial countries themselves.

Balance of Payments Adjustment

Mr Witteveen said he had discussed the question of an appropriate general strategy of policy largely by reference to the industrial countries as a group. However, the strategy could not be applied uniformly to all countries, but rather had to take into account the strength or weakness of the external position. This consideration led to a vitally important subject – the working of the international adjustment process.

The importance of the adjustment process in present circumstances was evident in two respects. The first was that a number of countries were now facing large payments imbalances. In the absence of satisfactory programmes of domestic and external adjustment, their situations would simply deteriorate. These countries badly needed to adopt policies ensuring a reduction of their current account deficits to levels that could be financed by sustainable capital flows and with a manageable structure of external debt. The second important aspect of the adjustment process concerned countries in relatively strong external positions; for these countries, the appropriate course of policy was to take expansionary measures strong enough to ensure meeting their own domestic objectives, thus helping to restore a satisfactory growth of world trade and assisting the adjustment efforts of deficit countries.

By the time of the 1976 annual meeting, Mr Witteveen continued, it was evident that the time had come, as he had said in Manila, to lay more stress on the adjustment of external positions and less on the mere financing of deficits. Since then, a number of

deficit countries had taken important actions to adjust, and other such countries urgently needed to follow suit. However, the functioning of the adjustment process had been impaired by the failure of domestic demand in some of the relatively strong countries to show adequate rates of expansion.

The Larger Industrial Economies

Mr Witteveen said he would emphasise that all countries in a relatively strong position had an international responsibility to maintain an adequate growth of domestic demand. As the process of international adjustment evolved it might be expected that an increasing number of countries, both developed and developing, would bring their inflation and balance of payments problems under control, and thus be strong enough to contribute to growth of the world economy. Meanwhile, in the circumstances that had prevailed in recent years, particular attention had inevitably focused on the United States, the Federal Republic of Germany and Japan which, because of their economic size, could have a substantial impact on the pace of trade and activity throughout the world.

The German and Japanese economies exhibited several common features: relatively low rates of inflation, exceptional strength of the external position, sluggish growth of domestic demand, and a tendency for the exchange rate to appreciate. Since early 1976, the external value of the Deutsche Mark and of the yen had appreciated by some 15 per cent in relation to a composite of other major currencies – a development that, in and of itself, tended to depress domestic demand.

The stimulative measures recently adopted by the Federal Republic of Germany and Japan were essential for the purpose of meeting domestic objectives, and they were certainly very welcome from an international standpoint. Mr Witteveen said that in view of the difficulties and imponderables involved in directing economic policy in a modern industrial economy, he knew that the German and Japanese authorities would be carefully assessing developments over the coming year and he trusted that they would be prepared to take further measures of stimulus in the event that the performance of their domestic economies did not improve substantially.

When attention was turned to the United States, it should first be noted that the United States economy experienced rapid growth of real GNP during the first two quarters of this year. The rate of growth achieved – averaging close to 7 per cent in those quarters – was neither meant nor expected to be sustained, and the economy was now in the process of shifting to a more moderate pace of expansion. Mr Witteveen wanted to emphasise the importance for the rest of the world that expansion of the United States economy be maintained at a satisfactory rate. In this connection, developments on the external side did not indicate a need for United States fiscal and monetary restraint beyond that required on domestic grounds for the purpose of reducing inflation. This view was based, among other things, on the fact that the deficit of the United States on current account was accompanied by large inflows of capital.

Role of Supplementary Financing Facility

His remarks on the adjustment process, Mr Witteveen commented, had stressed the need for countries in relatively strong external positions to achieve faster growth of domestic demand. Another important requirement of the adjustment process related to the provision of official financing to deficit countries, financing that was provided in sufficiently large amounts, over long enough periods, and with appropriate conditionality. He was pleased to say that, with the completion of work to establish the new supplementary financing facility (see p 192) the fund would be able to make an important contribution in this respect. The supplementary facility came at an appropriate time and fitted well into the present circumstances of the world economy. While the oil facility was designed to help mitigate deflationary forces in a recessionary atmosphere, the emphasis of the supplementary facility was on adjustment during a period of recovery and expansion that had so far been rather weak. It recognised that a number of fund members were experiencing external imbalances that were very large in relation to their economies; and it allowed the fund to encourage these members to adopt programmes of adjustment by making available much larger amounts of financing than under its normal credit tranche policies. At the same time, the periods to be covered by standby arrangements, and for repurchase, would be longer than usual, so that adjustment policies could be pursued more gradually and the needed restrictive effects on demand spread over a longer period.

Commitments to lend to the fund to support the facility had been made by industrial countries and oil-exporting countries. Their co-operation in the establishment of the facility underlined the mutual interest of these countries both in the pursuit of sound adjustment policies by deficit countries and in the general stability of the international monetary system. It was to be hoped that the prospective lenders could conclude the necessary arrangements with the fund so that the facility could become operational as soon as possible.

At present, commitments to lend to the IMF for the facility totalled about SDR[1] 8,400 million and there were possibilities that these amounts would be increased. During the period the facility was in operation, the IMF would also be prepared to conclude borrowing agreements with other lenders in sufficiently strong external positions. The claims on the fund that would be created under the loan agreements would be desirable international reserve assets, with an attractive rate of interest and a high degree of liquidity.

The Fund's Liquidity

The facility would help to provide confidence in the international monetary system by ensuring that the fund had sufficient resources immediately available to assist members facing difficult problems of external adjustment. In the last few years the fund's liquidity had been under some strain. This concern would be alleviated when the supplementary financing facility became operational, and the fund's liquidity would be strengthened further when the quota increases

[1]Special Drawing Right (see p 268, 1974).

under the sixth review became effective following ratification of the second amendment. Mr Witteveen urged those members that had not yet done so to take the necessary steps to ratify the second amendment so that it could become effective by around the turn of the year.

The need for the fund to borrow resources over the past few years reflected the fact that the growth of fund quotas had not kept pace with the growth in trade and payments and with disequilibria in members' external transactions. This had been amply demonstrated not only by the squeeze on the fund's liquidity, but also by the need to establish facilities that enabled members to use the fund's resources well beyond the traditional relationship to their fund quotas. While the borrowing under the supplementary financing facility would help to deal with this situation over the next two years, it was essential that in the longer term the solution must be found in an adequate level of quotas rather than a reliance on special borrowing. He hoped that the current discussions on the seventh review of quotas would result in a major step in this direction.

Control of International Liquidity

In addition to ensuring that the total of quotas provided an adequate source of conditional liquidity to its members, the fund had also to be concerned with the overall supply and composition of international reserves. The annual report highlighted changes in the supply of reserves since the floating of the United States dollar and the further expansion of international credit markets. As a result of these developments, governments of credit-worthy countries now faced a highly elastic supply of reserves, both individually and in the aggregate. This situation resulted in a lack of control over the quantity of international liquidity. In Mr Witteveen's view, this aspect of the international monetary system raised serious questions with respect to both inflation and the international adjustment process.

In this area of international liquidity, the amended Articles of Agreement set out two important objectives: promoting better international surveillance of international liquidity, and making the special drawing right the principal reserve asset in the international monetary system. These objectives could be thought of as relating, on the one hand, to quantitative concerns and, on the other, to qualitative considerations, including the distribution and composition of international liquidity. In judging the appropriateness of a further allocation of SDRs, the fund would have to take into account both objectives. While there was some concern that a new allocation of SDRs might give added impetus to inflationary forces, such an allocation could improve the distribution and composition of liquidity. Careful study would be needed to reconcile these quantitative and qualitative objectives and to strike the right balance.

Conclusion

Mr Witteveen said that in his remarks he had focused on the problems and difficulties confronting the fund and its members in order to promote discussion of how they might be solved. In doing so, he had not wanted to minimise the improvement in the general economic picture that had been seen over the past year or two. The gloomy outlook in 1974 had only to be remembered to appreciate how much had been achieved. This should provide encouragement to tackle the remaining difficulties with determination and in a continuing spirit of international co-operation.

World Bank Group

ANNUAL REPORTS

The annual report of the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA) for fiscal 1977 (1 July 1976 to 30 June 1977) was published in September, as was that of the International Finance Corporation (IFC).[1] These show that development finance commitments by the three institutions in fiscal 1977 totalled $7,273·5 million, more than in any previous year and $782 million above the level of fiscal 1976. Of the total, $5,759 million took the form of 161 IBRD loans to 54 countries, $1,308 million consisted of 67 IDA credits to 36 countries, and $206·7 million represented 33 investments in 20 developing countries. Bank disbursements rose by $166 million to $2,636 million, and the IDA's by $41 million to $1,298 million. Bank lending in 1977 increased by 7·8 per cent in real terms while that of the IDA fell by 26·4 per cent.

In fiscal 1977, as in the two previous years, the sector receiving the most IBRD/IDA assistance was agriculture and rural development (see tables 1 and 2). It accounted for 33 per cent of commitments, some 84 projects, with a lending volume of $2,308 million being approved. Estimates indicate that some five million families, or about 30 million people, will directly benefit from these projects, bringing the number likely to benefit from World Bank lending in this sector in the years fiscal 1975-77 to 60 million. Moreover, within the agriculture and rural development sector, there has been a sharp rise in the share of lending for rural development – that is, for projects in which more than half the direct benefits are expected to accrue to the rural poor. In fiscal 1977, this share rose to 61 per cent, compared with 50 per cent in fiscal 1976 and 53 per cent in fiscal 1975. Lending in the traditional sectors of power, transportation and telecommunications amounted to $2,139 million, or 30 per cent of the total, in fiscal 1977.

An important development in the year was the agreement, in March, by 26 donor countries on arrangements, subject to legislative approval, to increase the IDA's resources with a Fifth Replenishment totalling $7,638 million, an increase of 84 per

1 *World Bank Annual Report 1977*, Washington DC; *International Finance Corporation Report 1977*, Washington DC.

Table 1

IBRD/IDA Lending by Sector in Fiscal 1977

$ million

	IBRD	IDA	Total
Agriculture	1,637·8	670·1	2,307·9
Development Finance Companies	730·7	25·5	756·2
Education	210·1	78·5	288·6
Electric Power	784·5	167·0	951·5
Industry	720·8	16·0	736·8
Telecommunications	140·0	—	140·0
Tourism	98·6	—	98·6
Transportation	875·6	172·0	1,047·6
Urbanisation	128·2	30·0	158·2
Water Supply and Sewerage	262·5	38·2	300·7
Miscellaneous	170·5	110·2	280·7
TOTAL	5,759·3*	1,307·5	7,066·8

* Includes $222·6 million lent on 'third window' terms (see p 433, 1976).

Table 2

IBRD/IDA Lending by Region in Fiscal 1975-76

$ million

	1975	1976	1977
Eastern Africa	656·4	440·6	572·2
Western Africa	424·2	450·1	392·1
East Asia and Pacific	976·4	1,458·5	1,475·0
South Asia	1,189·6	1,349·2	1,164·2
Europe, Middle East and North Africa	1,434·2	1,485·6	1,570·1
Latin America and Caribbean	1,215·0	1,448·4	1,893·2

cent in nominal terms over the funds available under the Fourth Replenishment. Britain's contribution to the replenishment totalled $815·8 million, the third largest. Subject to certain conditions, most donors have agreed to make funds available in advance of the replenishment becoming formally effective in fiscal 1978.

In order that the IBRD should continue to increase its commitments in real terms, the group plans to conclude negotiations for a general increase in the Bank's capital by the end of fiscal 1978. Support for such an increase was expressed by the Heads of State of seven industrialised countries at the Downing Street Summit in May 1977 (see pp 226-8), by the 27 participants in the Conference on International Economic Co-operation (see pp 228-9) and by the 33 countries represented at the Commonwealth Heads of Government meeting in June 1977 (pp 258-65).

Of the IFCs total investments (see above), $118 million was provided for the establishment of new enterprises (13 projects) and $86 million for the expansion and modernisation of existing concerns (11 projects). The main sectors supported were development finance companies ($40·7 million), food and food processing ($27·6 million), general manufacture ($23·7 million), textiles and fibres ($21 million) and mining ($18·5 million). Other sectors aided included money and capital markets, pulp and paper products, utilities, construction materials and iron and steel.

A principal object of the IFC is to act as a catalyst by which other funds, local and foreign, may be obtained to support projects in which the IFC itself is investing. Thus, in fiscal 1977, other investors committed $894 million in the same enterprises. Taking into account $68 million financed by cash generation, the total cost of the projects was $1,169 million.

ANNUAL MEETING: PRESIDENT'S ADDRESS

Reviewing the development situation in a speech on 26 September to the annual meeting of the Board of Governors of the World Bank Group, the President of the Group, Mr Robert McNamara, stated that the developing world's economic performance in the last 25 years had been impressive, surpassing that of the present industrialised countries for any comparable period in their own development. At the same time, he added, the poorest nations, which contained more than half the total population of the developing countries, had done only half as well as the middle income countries; and such growth as there had been, both in the poorest and the middle income countries, had too often bypassed the poorest people. The truth was 'that in every developing country the poor are trapped in a set of circumstances that makes it virtually impossible for them either to contribute to the economic development of the nation, or to share equitably in its benefits'.

What was needed, Mr McNamara continued, was an 'effective overall development strategy that can both accelerate economic growth and channel more of the benefits of that growth toward meeting the basic human needs of the absolute poor'. To this end, he called for major policy shifts by rich and poor countries alike in order to secure annual *per capita* growth rates of 2 per cent and 4 per cent for the poorest and middle income countries respectively over the period 1977-85. On the one hand, he urged the developed nations to 'make modest concessions in the removal of tariff and non-tariff barriers' so as to facilitate increased exports, and thereby increased export earnings, by the developing countries; and to increase their concessional aid flows in real terms by 50 per cent and to direct these to meeting the basic needs of the poorest people – that is, the provision of education, clean water, health care and adequate nutrition and shelter. Similarly, he urged developing countries to reduce their own export constraints and to adopt policies that would assist the poor to enhance their own productivity and increase their incomes, and that would assure them more equitable access to essential public services.

For its part, Mr McNamara added, the IBRD/IDA planned to provide the developing countries with between $30,000 million and $35,000 million in net financing in the five-year period ending in 1983, more than double that expected for the period fiscal 1974-78. The World Bank also intended to initiate an ongoing assessment of world develop-

ment problems. The objective of this 'World Development Report' would be to improve the Bank's understanding of the principal components of the development process and of their inter-relationships, and thus gradually to develop a framework to assist developing and developed countries alike to deal with that process more effectively.

Trends in Invisible Trade

The net surplus on invisibles rose by 44 per cent between 1975 and 1976 from £1,502 million to £2,166 million with large increases in 1976 in the net surplus on travel, civil aviation and other services, while the sea transport account showed a small net surplus for the second year running. The net surplus declined somewhat in the first half of 1977, compared with the second half of 1976, although it was still slightly higher than in the first half of 1976.

These figures, which incorporate some revisions to previous estimates, were given in *United Kingdom Balance of Payments 1966-76* (see p 383) and were analysed, with more recent figures, in an article in *Trade and Industry* on 7 October.

The net surplus of private and public corporations' services increased by £909 million in 1976 to £2,598 million, more than offsetting the increase of £134 million in the net deficit on Government services.

The net surplus for 1976 on interest, profits and dividends increased by £279 million. The net deficit on Government transfer payments more than doubled between 1975 and 1976 with an increase of £413 million while the net deficit on private transfer payments fell by £23 million.

In the first half of 1977 the net surplus on invisibles declined to £993 million, seasonally adjusted, from £1,201 million, seasonally adjusted, in the second half of 1976, though it was nearly £30 million higher than the surplus in the first half of 1976. The decline was due mainly to a £365 million fall between the second half of 1976 and the first half of 1977 in the net surplus on interest, profits and dividends.

PRIVATE SERVICES

Sea Transport

In 1976 the sea transport account showed a small net surplus, although at £45 million it was slightly less than the net surplus of £64 million earned in 1975. This surplus was maintained in the first half of 1977.

The net credit for British owned ships in 1976, at £1,014 million, was 17 per cent higher than in 1975. Earnings rose by 20 per cent, but overseas payments increased by 23 per cent. The net deficit for ships on charter to British operators rose by 13 per cent to £361 million. Freight earnings and charter receipts by these ships rose by 23 per cent, while overseas payments increased by 20 per cent. However, the net deficit due to overseas operators increased by 26 per cent to £608 million, with both disbursements by and earnings of these operators increasing by 26 per cent.

Civil Aviation

The net surplus on the civil aviation account was £241 million in 1976, more than double the level in 1975, and just over three times the surplus in 1973. This increase was mainly a consequence of the increase in the number of overseas visitors to Britain as well as the decline in the value of sterling. The net surplus in the first half of 1977 continued at around the high level reached in 1976, being £118 million, seasonally adjusted, £3 million higher than in the first half of 1976, but £8 million lower than in the second half of 1976.

The overseas earnings by British airlines rose by 37 per cent between 1975 and 1976 to £766 million. Expenditure overseas by British airlines increased at a lower rate than earnings, resulting in a net balance of £325 million, an increase of £108 million compared with 1975.

Payments by British residents to overseas airlines increased by only 15 per cent between 1975 and 1976 to reach £369 million. Expenditure by overseas airlines in Britain, however, rose by 30 per cent to £285 million and the resulting net earnings of overseas airlines from British residents fell from £101 million in 1975 to £84 million in 1976.

Travel

The surplus on the overseas travel account rose sharply from the previous highest level of £245 million in 1975 to £620 million in 1976. The surplus continued to increase in the first six months of 1977 when it was £532 million, seasonally adjusted, compared with £404 million, seasonally adjusted, in the second half of 1976. A major factor in this increase was the fall in the value of sterling in 1976.

Earnings from overseas visitors rose by 45 per cent to a record £1,628 million in 1976, with a rise of 14 per cent in the number of visits by overseas visitors to Britain and an increase of 27 per cent in average expenditure per visit, despite a further reduction in 1976 in the average length of stay.

The expenditure abroad by British residents also rose, by 15 per cent, to £1,008 million in 1976. There was a decrease of 4 per cent in the number of visits overseas and the average expenditure per visit rose by only 20 per cent. The average length of stay per visit was the same as 1975.

Financial Services

Between 1975 and 1976 the overseas earnings on financial services increased by 19 per cent to £1,086 million, a lower rate of increase than in the previous two years, due mainly to a small fall in earnings from commodity trading. Of the four main classes of financial services, brokerage earnings increased by

Invisible Transactions 1973-77 (1st half)

£ million

	1973	1974	1975	1976	1976† 1st half	1976† 2nd half	1977 1st half
Credits							
Private services*:							
Sea transport	2,062	2,678	2,669	3,251	1,490	1,761	1,752
Civil aviation	480	625	780	1,051	491	560	590
Travel	681	837	1,123	1,628	698	930	1,091
Financial services	551	691	914	1,086	548	538	513
Other services	1,137	1,397	1,715	2,190	1,020	1,170	1,311
Total private services*	4,911	6,228	7,201	9,206	4,247	4,959	5,257
Interest, profits and dividends	2,892	3,167	2,946	3,746	1,753	1,993	1,902
Transfers:							
Private	295	355	395	420	205	215	222
Government	63	130	363	251	136	115	133
Government services	104	110	139	215	72	143	88
Total credits	8,265	9,990	11,044	13,838	6,413	7,425	7,602
Debits							
Private services*:							
Sea transport	2,160	2,796	2,605	3,206	1,465	1,741	1,732
Civil aviation	405	529	664	810	376	434	472
Travel	682	683	878	1,008	482	526	559
Other services	697	953	1,365	1,584	739	845	822
Total private services*	3,944	4,961	5,512	6,608	3,062	3,546	3,585
Interest, profits and dividends	1,569	1,861	2,046	2,567	1,209	1,358	1,632
Transfers:							
Private	386	441	483	485	255	230	233
Government	422	450	742	1,043	460	583	670
Government services	513	648	759	969	462	507	489
Total debits	6,834	8,361	9,542	11,672	5,448	6,224	6,609
Net Invisible Balance	+1,431	+1,629	+1,502	+2,166	+965	+1,201	+993

* Including public corporations.
† Seasonally adjusted.

only just over 2 per cent, but earnings from insurance, banking and merchanting all increased by around 35 per cent between 1975 and 1976.[1] In the first half of 1977 there was a fall in earnings on financial services to £513 million, seasonally adjusted, from £538 million, seasonally adjusted, in the second half of 1976.

Other Services

The category 'other services' covers a wide-ranging group of items including royalties, commissions, technical services and construction work overseas. The net surplus on other services recovered from the fall in 1975 and rose to £606 million in 1976, 73 per cent above 1975, and 36 per cent higher than in 1974. In the first half of 1977 the surplus increased to £489 million, seasonally adjusted, compared with £325 million, seasonally adjusted, in the second half of 1976.

The increase in the net surplus in 1976 was largely the result of a lower increase in debits which rose by 16 per cent between 1975 and 1976 compared with increases of 43 and 36 per cent in 1975 and 1974 respectively. Credits increased by 28 per cent in 1976, a slightly higher rate than the 23 per cent recorded in both 1975 and 1974.

Earnings on construction work overseas rose by 61 per cent to £456 million in 1976 (see p 437). On the debits side royalty payments overseas and services rendered to British enterprises both rose by 25 per cent between 1975 and 1976. Expenditure on services associated with the UK Continental Shelf activities, which more than doubled between 1974 and 1975 and were a major cause of the in-

[1]The insurance and banking figures included in financial services cover only overseas business done within Britain and do not cover all the overseas earnings of insurers and banks, part of which (the earnings of overseas branches and subsidiary companies of British insurance companies and banks and receipts of interest and dividends by the Corporation of Lloyds, insurance companies and banks on holdings of overseas securities) are included under 'Interest, Profits and Dividends'.

crease in total debits in 1975, rose by only 14 per cent in 1976.

INTEREST, PROFITS AND DIVIDENDS

Net earnings on interest, profits and dividends increased by £279 million between 1975 and 1976, but at £1,179 million were still below the record net earnings of 1973 and 1974. Net payments by the Government sector continued to grow, and at £652 million, were more than three times greater than three years earlier. The net surplus earned by the private sector recovered from its fall in 1975 and rose by 29 per cent between 1975 and 1976 to a new peak of £1,831 million. Increases in both credits and debits were partly due to the effects of the devaluation of sterling which increased the sterling value of all foreign currency flows. In the first half of 1977 net earnings on interest, profits and dividends fell sharply to £270 million, seasonally adjusted, compared with £635 million, seasonally adjusted, in the second half of 1976. Many items contributed to this sharp decline.

Earnings on direct investment overseas (excluding oil), which had grown by only 9 per cent between 1973 and 1975, are estimated to have increased by 30 per cent between 1975 and 1976 to £2,064 million.

The earnings by foreign companies on their direct investment in Britain also rose sharply between 1975 and 1976, increasing by 70 per cent to £1,045 million. This followed two years of depressed earnings caused largely by the losses incurred in the motor industry.

The net deficit from earnings on portfolio investment continued to increase between 1975 and 1976, rising by £52 million to £119 million. This rise was due entirely to an increase of £65 million in debits between 1975 and 1976 of which just over two-thirds was accounted for by an increase in interest payments on British Government stock and foreign currency borrowing.

Other credits (which include the earnings of British oil companies, British banks' earnings from their lending and borrowing in foreign currencies, receipts of interest on inter-governmental loans, and trade credit) recovered from their fall in 1975, and at £1,448 million in 1976 were marginally higher than in 1974. British oil companies increased their earnings on overseas investments, but these were still well short of the record overseas earnings of 1973 and 1974. There was also a substantial increase in interest earned on sterling lending and and on British banks' earnings from their borrowing and lending in foreign currencies. The growth in these other credits was partially offset by a fall in interest earned on Britain's official reserves, caused by the falling level of reserves and by lower interest rates overseas.

Other debits rose by 25 per cent between 1975 and 1976 to £2,567 million. Foreign oil companies made a net loss on their investments in Britain, largely as a result of their expenditure on exploration on the UK Continental Shelf. The interest paid on sterling balances fell as the level of the balances fell sharply in 1976 but there were substantial increases in interest paid abroad by the Government sector on its eurocurrency borrowings, reflecting both a massive increase in liabilities and the depreciation of sterling.

TRANSFERS AND GOVERNMENT SERVICES

The net deficit on Government services and transfers was £1,546 million in 1976, some 50 per cent higher than in 1975. In particular, contributions to the European Community budget increased by £125 million to £475 million in 1976; receipts from the European Community on the other hand were £112 million lower at £251 million, partly because of a change in the arrangement by which compensatory payments on imports from the European Community are made under the Community's common agricultural policy. Expenditure abroad on military services, mostly in the Federal Republic of Germany, increased by £187 million to £832 million in 1976, mainly because of exchange rate movements.

The net deficit on private transfers was, at £65 million in 1976, more than £20 million lower than in 1975.

British Construction Overseas

British building and civil engineering firms won new contracts overseas worth some £1,700 million in over 100 countries in the year ended 31 March 1977 (compared with £1,317 million in 1975-76), according to figures given by the Department of the Environment.[1] Net overseas earnings of British construction firms reached £220 million in 1976-77 at current prices compared with £148 million in 1975-76. If the overseas earnings of all sectors of the construction industry are taken into account, a figure of over £2,000 million is reached – an increase of £500 million on 1975-76 – made up of some £320 million from British contractors and subsidiaries, a contribution of £250 million from the related professions of consulting engineers, architects and surveyors, together with about £1,450 million from the export of building materials, plant and machinery. Details of some major contracts are given below.

BUILDING AND CIVIL ENGINEERING

Although large firms with well-established overseas interests continue to dominate the field, smaller firms and firms without previous experience of working abroad made considerable headway. Of the 100 or so firms winning new work abroad in 1976-77, 18 were new to export work, while the share of the total value obtained by the top 20 firms fell to 70 per cent from 95 per cent in 1975-76.

[1]See *Trade and Industry*, 4.11.77.

The most important market for contractors was the Middle East, which accounted for new orders of £872 million in 1976-77 and whose share of new orders thus rose from 40 per cent in 1975-76 to over 50 per cent in 1976-77.

There was an increase in new contracts in the Americas from £93 million to £140 million, and in Europe from £69 million to £81 million. In Africa, however, where the involvement of British contractors had increased in previous years, the value of new contracts fell from £491 million to £363 million.

The Middle East

Costain Civil Engineering Ltd and Taylor Woodrow International, who are currently building the Dubai dry dock in a joint venture, have had their contract extended to a total value of £162 million. The same venture has also been awarded a £35 million contract for transit sheds and additional buildings for the port authorities at Port Rashid, adjacent to the Dubai dry dock (see p 437, 1976).

Bernand Sunley and Sons Ltd has won a £53 million extension to an existing contract in Dubai, consisting of a 39-storey trade centre tower, 492 furnished flats and apartments and additional facilities for an exhibition hall and hotel complex, while Fairclough-Al Midani Co Ltd has been awarded a substantial Government contract in Saudi Arabia, the initial civil engineering work for which is worth more than £30 million.

Costain International has won several contracts totalling about £20 million to build two headquarters for the United Arab Emirates Currency Board, one in Abu Dhabi and one in Dubai.

In Saudi Arabia, Haden International is at work on an £18 million electrical installation contract at Jeddah Airport, which will continue for a number of years. The company has also received a £14 million contract in Abu Dhabi for mechanical and electrical services in the Zayed Sports City complex, including a central services building containing refrigeration and boiler plant, monitoring and supervisory controls. The two-tiered stadium is elliptical in shape and will seat 50,000 spectators.

Al Futtaim-Wimpey, in a joint venture, has secured a further four contracts in Dubai. The largest, worth £11·5 million, is related to the harbour complex at Jebel Ali and involves quarrying and supply of stone, while the second is a £7 million contract for the construction of 17 kilometres (km) of dual carriageway roads to link Dubai International Airport, via the Al Garhoud Bridge, with Port Rashid. Two further contracts worth £2 million each are for the construction of 11 km of roads at Umm Al Qaiwain and for a pleasure boating harbour at Mina Seyaha.

Cementation International Ltd has been awarded an £11 million contract to build and equip two 28-storey blocks of flats with an adjacent car park in the Farahzad district of Tehran. The contract is for the first stage of the Tehran Taj community development project. The same company has also been awarded a contract worth nearly £3 million for a 110-bedroom extension to the Bahrain Hilton.

In Qatar, Costain Process Engineering and Construction Ltd has signed a contract worth approximately £9 million to erect an ammonia plant at Umm Said for the Qatar Fertiliser Co SAQ. Costain will also build accommodation near the site for 430 workmen and staff, a pipe fabrication shop, stores and workshop.

Kier International has gained a contract worth about £9 million for a steam power plant at Ras Al Khaimah, from the water and electricity authority of the United Arab Emirates. Kier is the main contractor executing the civil works which consist of a sea intake, twin pipes, a pump house, turbine and boiler house, connecting concrete culverts and an outfall basin.

Wimpey Asphalt Ltd has won its first contract in Abu Dhabi worth over £4 million, for the re-surfacing of the international airport. Taylor Woodrow-Towell has won a number of contracts in Oman, totalling more than £4 million, covering the design and construction of a veterinary clinic, construction of a road and the civil works associated with four standby power stations. The contracts also include the design and installation of piped water supplies and a block of shops, offices and flats which are under construction in the capital, Muscat.

Bovis Construction Ltd has been appointed to provide construction management for a major apartments complex near the centre of Tehran. Situated in the Vanak district of Tehran, the scheme will provide a total of approximately 100 apartments in two adjacent 14-storey blocks, with underground car parking, plant rooms and stores. There will also be a swimming pool, reservoir and gardens.

Tarmac International has won a contract worth nearly £3 million to boost the water supply to the town of Sharjah in the United Arab Emirates. The scheme, known as the 'Sharjah Ring Main', will pick up water brought by pipeline from the Hamda Oasis in the Sharjah desert and feed it into the existing fresh water supply.

Deeley (Saudi Arabia) Ltd has secured a £2 million contract for the construction of a civil aviation directorate training school and hostel complex at Jeddah, Saudi Arabia. The buildings comprise the main teaching block and staff offices, kitchen area, recreation area and accommodation for 240 students, together with all associated site works.

Other firms active in the Middle East include Higgins and Cattle Ltd, George Dew International (Gulf Piling Division) and Simplex Piling Ltd, the latter being involved in installing cast-in-situ driven piles in the United Arab Emirates.

Africa

A contract worth £28 million has been signed between the Nigerian Federal Ministry of Works and George Wimpey and Co (Nigeria) Ltd for the construction of 119 km of road between Jos, the capital of Plateau State, and Bauchi, the capital of the newly formed Bauchi State (see pp 437-8, 1976). The same company has also been awarded a £12·5 million contract for the construction of an advanced teacher training college at Pankshin in Plateau State.

BICC Ltd has won a contract worth £20 million from the Nigerian Ministry of Communications for the supply and installation of telephone cable

Construction Work Overseas

Years ended 31 March

£ million

Area	Total value of contracts obtained		Total value of work done		Total value of work outstanding	
	1976*	1977†	1976*	1977†	1976*	1977†
Europe	69	81	91	73	155	129
of which European Community	11	10	27	17	32	10
Asia	565	1,011	397	647	212	1,210
Africa	491	363	235	359	581	585
America	93	140	84	112	56	95
Oceania	99	105	74	92	160	179
World total	1,317	1,700	881	1,283	1,764	2,198
of which Middle East	548	872	383	627	783	1,068

* Revised
† Provisional

networks in the three towns of Agbor, Benin City and Warri, situated in the oil-producing mid-west region of Nigeria. Survey work, manufacture, jointing and testing of the cables will be carried out by BICC Telecommunication Ltd, while Balfour Kirkpatrick International Ltd will be responsible for the complete underground duct and trench system in which the cables will be installed.

The Mowlem Construction Co (Kenya) Ltd has been awarded a contract worth £11 million from the Tanzanian Ministry of Works, for a new port access road which avoids the city centre of Dar es Salaam. The project involves the construction of a 16 km four-lane highway and several bridges for major river crossings.

A letter of intent has been issued from the Kenana Sugar Co Ltd to award an £11 million contract to the Sir Alfred McAlpine Group of Companies, for concrete work associated with the sugar mill complex of the Kenana sugar project, at Kosti in the Sudan. The work includes the placing of 40,000 cubic metres of concrete in foundations and paving.

Kier International has been awarded a major road contract, valued at over £7 million, by the Ministry of Works and Supplies in the Republic of Malawi to construct 70 km of tarmac road from Kacheche to Chiweta in the northern region of the country.

In Kenya, Leonard Fairclough Ltd has secured a £5·5 million contract for the eighteenth berth in Mombasa Harbour. The new birth is adjacent to two already constructed by the company and there is provision in the contract for options to incorporate roll-on/roll-off facilities and further extension of the berth.

Other major contracts in Africa include provision of mechanical and electrical services and air-conditioning in Nigeria and air-conditioning in Gabon by subsidiaries of Haden Carrier, and of irrigation schemes in Ghana by Taylor Woodrow International.

Oceania

Costain Australia Ltd has won a £33 million contract to build a bank, shops and office complex in Melbourne, for the State Bank. The project is dominated by a 41-storey tower rising to 168 metres, dwarfing surrounding buildings. The same company is working on a contract of over £1 million to build a component workshop at Clyde, a suburb of Sydney, for the Public Transport Commission of New South Wales.

Haden Engineering Pty Ltd (a subsidiary of Haden International) has received several contracts for air-conditioning in several parts of Australia, individually valued at between £250,000 and £500,000.

Europe

Cementation International has signed a £24·5 million contract with the Polish foreign trade enterprise, Intraco, for the design, construction and commissioning of two hotels at Gdynia for the Polish tourist organisation. The contract covers all equipment, furnishing and fitting on a turnkey project basis.

Petrocarbon Developments Ltd (a member of the Burmah Group) has signed a letter of intent with Laing Projects Ltd, confirming that Laing will carry out the civil engineering construction valued at about £10 million, for the PVC complex being built by Petrocarbon at Wloclawek, Poland. Haden Young (a subsidiary of Haden Carrier) has received orders totalling £3·5 million for mechanical and electrical services at the same project.

In France, Société Carrier, also a member of the Haden Carrier Group, has received an order worth over £1·5 million from G. D. Searle for air-conditioning its research laboratories near Nice.

Rest of the World

In Asia, Fluor Corporation has been awarded contracts totalling over £115 million for the engineering, procurement and construction management of two chemical facilities in the Republic of Korea. The

engineering and procurement work will be performed under the direction of Fluor (Great Britain) Ltd, and the construction managed by Fluor Korea Corporation.

PT Balfour Beatty Sakti Indonesia, a joint venture construction company incorporated in Indonesia and jointly owned by Indonesian nationals and Balfour Beatty, is responsible for the civil engineering works of a £54 million contract won by BICC, to expand the local telephone network in Indonesia. When complete, this will provide an extra 123,700 line units serving 57 exchanges in 53 towns and cities.

The Mass Transit Railway Corporation of Hong Kong has awarded a £10 million contract for all permanent-way work on its new underground system to the Henry Boot-Gammon joint venture, sponsored by Henry Boot Construction Ltd in association with Gammon (Hong Kong) Ltd (see p 439, 1976). The contract includes the track bed; the provision and laying of rail track; points and crossings; ballast and all ancillary components associated with the track for the whole of the modified initial system of the Hong Kong mass transit railway. The first trains are expected to run in September 1979.

Wimpey Canada has won over 30 contracts in Canada with a total value of more than £25 million. The largest of these is a £6·5 million contract from the Ontario Housing Corporation for a 290-apartment building at Etabicoke, Ontario.

Higgs and Hill has been awarded a civil engineering contract in Trinidad, valued at approximately £10 million. The project involves the construction of several sections of dual three-lane highway and extensive road improvements over a distance of 11 km between Port of Spain and Piarco International Airport.

THE CONSULTANT PROFESSIONS

The three main professional organisations representing British consulting engineers, architects and surveyors have reported on their activities overseas in 1976 and stressed the vital role of consultants in earning overseas currency. Contracts include ports, roads, industrial plant, schools, hospitals, shopping centres and many other projects.

Consulting Engineers

British members of the Association of Consulting Engineers were responsible in 1976 for overseas projects worth a record figure of some £21,000 million.

Sir Alexander Gibb and Partners are performing the planning, design and supervision of construction of marine facilities at the port of Umm Said, Qatar, which is intended to serve the needs of the planned industrial development of the area. The same company is concerned with the civil engineering for the second stage extension of a fertiliser plant at Umm Said.

Sir Bruce White, Wolfe Barry and Partners are responsible for the expansion and modernisation of the port of Sibu, Sarawak, including anti-erosion works, the total value of the contract being about £5·5 million. The project is typical of the smaller port developments traditionally entrusted to British consulting engineers in the developing countries, where responsibility is undertaken from feasibility study to completion of construction, from the first surveys of the site to the provision of cargo handling plant on the wharf.

In Portugal, Bertlin and Partners, in association with two Lisbon firms, have been responsible for the design of the port of Sines, including the detailed design of the breakwaters and oil berths. The breakwaters are among the deepest in the world and are exposed to the full impact of Atlantic storms. Sheltered berths will be provided for product tankers, bulk carriers, general cargo vessels and for tankers of 1 million tons dead-weight maximum capacity. The first phase of the works will cost about £40 million. The same company has also been engaged to design new port structures for Dar es Salaam, Tanzania and Mombasa, Kenya.

A considerable part of consulting engineers' overseas work is concentrated in the Middle East where their different skills are being deployed in great variety. Wallace Evans and Partners have been engaged since 1972 on eight different types of hospital and a health training institute for the Saudi Arabian Ministry of Health.

BMMK and Partners have also been active in Saudi Arabia (for some ten years) and one of their projects now under construction, the Riyadh-Zalim road, some 495 km long, was surveyed and designed in 1967-68 as a joint venture with Howard Humphreys and Sons. The intervention of the Israeli-Arab war delayed construction until October 1972 when BMMK and Partners (Consulting Engineers) Ltd were appointed to supervise construction.

White, Young and Partners are consultants for an extensive new shopping centre (known as 'The Souk') in Sharjah, United Arab Emirates, which is currently under construction and due for completion in early 1978. Being built alongside Khalid Lagoon, the structure (of eight linked buildings) will contain over 600 shop units and will follow a design adhering to traditional Arabic architecture. The new corniche road will run through the centre of the complex with decorated footbridges linking the two sides, and each bridge link will contain a certain number of shop units. The total value of the project is about £12 million.

Also in Sharjah, Brown Crozier and Wyatt are responsible for the architectural and engineering design work and supervision for the new Holiday Inn hotel, to provide much needed accommodation for the growing number of businessmen visiting the emirate.

In Benin City, Nigeria, where Guinness Overseas Ltd is building a new stout brewery, Brown Crozier and Wyatt are responsible for the mechanical design of the brewing process plant and piping systems, with centralised steam boiler, compressed air, refrigeration and water treatment plants.

Cremer and Warner were commissioned for remedial work in connection with an accidental discharge of a toxic cloud from a chemical works in Seveso, Italy, and to provide a programme for the prevention of further such incidents. The same firm also has a current assignment for a large fertiliser project at Talkha in the Nile delta and has carried out a comprehensive environmental survey for the Shuaiba area authority. Kuwait, which includes fertilisers,

two large refineries, a power station and desalination units.

Campbell, Reith and Partners have been entrusted with a programme of 22 new schools and a teachers' training college to cater for 40,000 children in Trinidad and Tobago.

Mott, Hay and Anderson International have designed two new bridges which are being constructed over the Pahang river in west Malaysia. The first, at Kuala Lepar, will carry the proposed Kuantan-Segamat highway across the river while the second, at Jerantut, will replace an existing ferry. Approach roads are to be kept above flood level to ensure continued access in emergency conditions.

Kennedy and Donkin are very active in Latin America, where they were selected to carry out a feasibility study of an electrical interconnection between Nicaragua and Costa Rica. The study showed a definite economic advantage for the construction of a 230-kV interconnector for the transfer of secondary energy, after three possible approaches had been considered: first, the transfer of 'secondary' (surplus) energy from one country to the other; second, the pooling of reserve capacity between the two countries, so that hydro-energy shortages in dry years and the loss of supply due to faults in one country could be overcome by energy transfers from the other country; and third, the integration of both planning and operation for the two electrical systems.

Architects

While most attention is focused on the new ground being won in the Middle East, British architects are winning contracts throughout the world.

Abbey and Hanson Rowe (also as Associated Design Consultants) have become involved in 1976-77 in five new building projects or feasibility studies for Government or private clients in Saudi Arabia and two in Doha, while a significant new commission has been the development programme of schools for the Municipality of Rome with Studio Nervi.

Ardin and Brookes have a hotel and cinema under construction in Ras Al Khaimah, United Arab Emirates, while Arup Associates have completed an office and computer centre for IBM in Johannesburg, in association with a local practice. Also with local professionals, Brewer Smith and Brewer Maxwell, who provide specialised consultancy in planning and designing health and hospital services, have been appointed for three projects in Canada.

Building Design Partnership is building the Tehran bus station, intended to serve all the major cities of Iran and long-distance services to Turkey and European countries; while James Cubitt and Partners have continued their work on the two Libyan universities in Benghazi and Tripoli.

In the Gulf, Ian Fraser, John Roberts and Partners have designed the International Hotel in Riyadh, Saudi Arabia, and John R. Harris, in addition to much existing work in the area, has now been commissioned to build the new Dubai hospital; while Hubbard Ford has been responsible for building shops and flats in Sharjah and Ajman, United Arab Emirates.

W. S. Hattrell and Partners have been active in Paris both in the conservation field, adopting, extending and rehabilitating buildings, and in work for Marks and Spencer involving both shops and a warehouse.

Llewelyn-Davies, Weeks, Forestier-Walker and Bor have done work in the Middle East, West Indies and the Philippines. In Iran they have submitted the master plan for Tehran and a new city centre at Shahertan Pahlavi. Under construction are a 630-bed hospital in Dohaunde and a 550-bed medical centre in Bahrain. Tender documentation is complete for the extension to the public services hospital in Riyadh, while in Oman, the practice is helping to establish a directorate of planning and is preparing a strategic plan for the capital area. A pilot project for the World Bank in the Philippines involves the preparation of a comprehensive study for the development of self-sustaining resettlement of thousands of slum dwellers, while in the Caribbean, the practice has prepared development plans for an additional medical school and teaching hospital in Trinidad as part of the University of the West Indies.

The Owen Luder Partnership is working on a new headquarters for the West African Health Secretariat in Lagos, in conjunction with Femi Akande, as well as a new out-patients' department for the state hospital in Ondo State. The practice has also designed a number of tourist centres for Ikogosi in Ondo State and at Asejire in Oyo State.

Michael Lyell Associates, appointed by Associated Continental Architects (led by White, Young and Partners), are carrying out work on 'The Souk' in Sharjah (see p 440), the Al-Ghurai Centre in Dubai, the new Gulf Hotel in Bahrain and the Cairo Plaza.

The Government of Saudi Arabia's summer headquarters at Taif by Sir Leslie Martin is being occupied by the first 18 ministries and further accommodation will be ready during 1978.

Robert Matthew Johnson Marshall and Partners have started an 11-month programme of work for the implementation of the development plan they prepared for the city of Suez, Egypt; while the Ministry of Pilgrimage and Endowment of Saudi Arabia has engaged the same practice to design four eight-floor apartment buildings, shop premises and facilities for medical surgeries in the central area of Medina. The practice is also engaged on housing and tourism projects in Libya and educational projects in Nigeria.

A variety of contracts in the Gulf have been begun by three practices – Pick-Everard Keay and Gimson, Rothermel and Cooke, and the Percy Thomas Partnership. W. H. Saunders continue their work in Europe with commercial commissions in a number of cities in the Federal Republic of Germany and other work in Holland, Spain and Portugal. Raglan Squire and Partners continue their hotel work in the Gulf, Indonesia and Panama. Percy Thomas also produced the winning entry in the international competition for a 600-bed specialist hospital in Cairo, Egypt, while Triad have just completed the senior staff club in Doha for the Government of Qatar to provide sporting and recreational facilities. Yakeley Associates, working as MacDonald Yakeley Joint Venture, are developing a large water treatment plant and power station with a complete village in the middle of the desert of Wasia, east of Riyadh, Saudi Arabia.

Surveyors

Overseas activities of the Royal Institution of Chartered Surveyors (RICS) have undergone a significant expansion in 1976-77; over 4,000 chartered surveyors are now operating in some 70 countries, while many more are providing services from offices in Britain for overseas clients. Good prospects for the profession continue to come from the Middle East, and in 1976 the president and secretary-general of the RICS visited seven countries in the region to assess further opportunities for providing professional surveying services and to promote the use of British surveying skills. As a result of these visits, the RICS has prepared a preliminary report on the administration of properties owned by the city of Cairo and is assisting with the provision, in Britain, of intensive training in real estate management and development for senior employees of Kuwaiti development companies; while a chartered quantity surveyor is advising the Oil Services Company of Iran on the education and training of personnel at professional and technician levels.

The overseas activities of the profession continue to concentrate on the three distinct fields of surveying and mapping, land administration and construction economics. Over 90 per cent of chartered land surveyors work outside Britain, undertaking programmes of mapping that are the essential preliminary to all forms of development. Their services are increasingly required in connection with the exploitation of offshore oil and gas reserves and, in the North Sea, British survey companies are undertaking much of the position fixing and data collection work needed for laying undersea pipelines, as well as carrying out 'as-built' surveys. Offshore surveys are also a prerequisite to harbour development and the demand for marine consultancy services in the Middle East has led another British company to establish an office in Bahrain from which it is undertaking work throughout the Gulf, including hydrographic surveys of the approach channel and port area required for the construction of Saudi Arabia's new deep-water port at Jubail.

Mapping and surveying commissions have been awarded in the Middle East, Greece, Morocco, Sudan, Nigeria and Afghanistan. Commissions for land administration have been awarded in the Suez Canal zone (as part of a United Nations development planning project), Greece (as part of a World Health Organisation project on pollution control), and Guatemala (in connection with redevelopment following devastation by an earthquake). The profession has also advised on new town development in Kuwait, Saudi Arabia, Malawi and Nigeria; on various aspects of property development in the Middle East, Europe and the United States; and on industrial and other commercial projects in the Middle East, Europe, Africa, the Far East and the Americas.

Average Earnings in 1977

In April 1977 the average gross weekly earnings of full-time adult workers in Great Britain were £69·30. The figure is an average for men and women aged 18 and over on 1 January 1977 and covers the whole spectrum of manual and non-manual jobs; it includes pay supplements (see pp 269, 1975 and 282, 1976), overtime, shift and other premium payments, bonuses and incentive payments.

This is among the key results of the New Earnings Survey (NES) 1977 (see also p 447) published in the October 1977 issue of the *Department of Employment Gazette* (HMSO, £1·20, ISBN 0 11 724492 9). The NES is a sample survey, the data of which are obtained from employers under the Statistics of Trade Act 1947; the resulting information is strictly confidential and used only for statistical purposes. The survey covers some 172,000 workers representing a 1 per cent random sample of all tax-payers of all categories in all occupations, both manual and non-manual, in businesses of all kinds and sizes in all industries (those with earnings below the deduction card limits for tax purposes are mostly women with part-time jobs and young people; they include very few full-time adult workers). It relates to the pay week or other pay period which included 20 April 1977. The results are, therefore, not necessarily representative of pay over a longer period and do not take account of subsequent changes in rates of pay which have become effective since that date or changes which have been introduced with retrospective effect since the survey returns were completed.

Detailed Figures

The survey shows that average earnings of men non-manual workers were £86·90 and of manual workers £70; while those of women non-manual workers were £53·80 and of manual workers £43·70. These results reflect differences in the distributions of men and women between the various occupations, industries and age-groups and differences in length of service and hours worked. They do not necessarily imply differences in rates of pay of men and women for similar work; and, especially for men manual workers, overtime pay, bonuses, commission, payments by results and other incentive payments and premium payments for shift, night and weekend work make a substantial contribution, on average, to total earnings. When the effects of overtime and hours worked are excluded, the ratio of women's to men's average earnings rose from 63 per cent in 1970 to over 75 per cent in 1976 and 1977.

In most of the detailed tables, as usual, figures are given for men aged 21 and over rather than those aged 18 and over. The survey estimates that among full-time workers in April 1977 there were about 250,000 men (2·5 per cent) aged 21 and over and 1·5 million women (29 per cent) aged 18 and over earning under £40 a week, and about 1 million men (11 per cent) and 2·75 million women (58 per cent) earning under £50 a week. Some 7·25 million men (72 per cent) and 2 million women (40 per cent) were earning between £50 and £100 a week, while about 1·75 million men (17 per cent) and 100,000 women (2·5 per cent) were earning over £100 a week.

Percentage Increases

The percentage increases between April 1976 and April 1977 were about half those between April 1975 and April 1976, ranging from 9 per cent for men non-manual workers to 10·9 per cent for women manual workers, reflecting the effects of Phases 1 and 2 of pay policy (see pp 269, 1975, 282, 1976, 304 and 389). They were the lowest since the NES began in 1970.

International Energy Agency

The governing board of the International Energy Agency (IEA) has expressed its determination to reduce the risk of possible world shortages of energy from the 1980s by strong policy measures intended to lead to the more effective use of energy resources. Accordingly a series of principles to serve as guidelines for the implementation of measures by member Governments has been established. The IEA's research and development programme is being supplemented by further projects, mainly connected with the development of alternative energy sources. The agency has reaffirmed the objective of member countries to make a positive and constructive contribution to international energy co-operation so as to assist in improving the world economy.

COMMUNIQUÉ

A meeting of the governing board of the IEA[1] was held at ministerial level on 5 and 6 October 1977 and a communiqué was issued at the end of the meeting. The ministers noted that substantial progress had been achieved 'in a number of important areas including the adoption of the IEA's long-term co-operation programme [see pp 172-3, 1976] and the setting in place of the emergency oil-sharing system'.

Energy Policies

Ministers reviewed the prospects for energy demand and supply, and concluded that 'unless present energy policies are strengthened there is a serious risk that as early as the 1980s the world will not have sufficient oil and other forms of energy available and that such a situation would have severe economic, social and political consequences in all IEA countries and throughout the world'. IEA member countries were determined to reduce this risk 'by a strong, concerted and sustained policy response designed to make more effective use of energy resources, particularly through energy conservation, and to put more emphasis on development and use of less depletable energy sources'. The ministers 'reaffirmed the objectives of co-operation among IEA countries as set out in the agreement on an international energy programme[1] and the IEA's long-term co-operation programme, and agreed on a coherent international policy framework in order to assist in the definition of national energy policies'.

The agency adopted a target of restricting oil imports into its member countries to not more than 26 million barrels (1 barrel = 35 gallons = 159 litres) a day in 1985 and intends to establish objectives for subsequent years. Ministers 'considered that this level of oil import demand by the IEA nations would contribute to a better world energy balance and help to make it possible for requirements of all nations for adequate amounts of essential energy supplies to be met'. They 'expressed their firm political determination to reinforce their national policies in order to achieve these group objectives'. Twelve principles have been laid down including stronger energy conservation measures, a move towards using more plentiful fuels, rapid expansion of indigenous resources, co-operative efforts to increase coal output and consumption, and the steady expansion of nuclear power, taking into account non-proliferation and environmental concerns. A systematic review of each country's contribution to the achievement of the group's objectives will be conducted on a regular basis.

Research and Development

The ministers noted with satisfaction the results obtained from the first phase of the IEA's energy research and development strategy, and welcomed the signing of agreements on seven projects including a 500-kilowatt solar electric power system, the production of hydrogen from water, large-scale wind power demonstrations and the testing of superconducting magnets for fusion power systems. They concluded that greater efforts were required to develop new energy technologies and to make possible the rapid application of alternative energy sources. They undertook to examine their countries' national research and development efforts in order to ensure that 'they would be able to make an adequate contribution to energy technology development, taking into account the results of the IEA's forthcoming review of national energy research and development programmes'.

Energy Co-operation with Developing Countries

In the context of international energy co-operation, the ministers said that the Conference on International Economic Co-operation (see p 228) had helped oil-producing and consuming countries to improve their understanding of the world energy supply and demand situation and of their respective responsibilities for managing the transition from oil to more plentiful and renewable energy sources. The ministers believed that international co-operation had a considerable role to play in resolving the problems of energy supply and demand. They noted that the following areas might be suitable for further examination of the possibilities of co-operation between industrialised and developing countries: 'a better system for regular exchange of information on world energy demand and supply; co-operation in

[1] The 19 members of the IEA are Austria, Belgium, Canada, Denmark, the Federal Republic of Germany, Greece, the Irish Republic, Italy, Japan, Luxembourg, the Netherlands, New Zealand, Norway, Spain, Sweden, Switzerland, Turkey, the United Kingdom and the United States.

[1] *Agreement on an International Energy Program*. Treaty Series No 111 (1976). Cmnd 6697. HMSO, 60p. ISBN 0 10 166970 4.

development of various energy sources in developing countries; and international co-operation in energy research and development activities'. They agreed that IEA countries would 'keep under review developments in the field of energy with a view to identifying opportunities for co-operation with developing countries both bilaterally and within the framework of the United Nations and other international organisations'.

Shorter Notes

SPACE TELESCOPE CONTRACTS FOR BRITAIN

The British Aircraft Corporation's Electronic and Space Systems Division has been awarded two contracts totalling £13·3 million by the European Space Agency (ESA) for work on the United States National Aeronautics and Space Administration Space Telescope. The contracts will last for five years and four years respectively. The first, valued at £6 million, covers the development and manufacture of the space telescope solar array that will power the telescope during its ten to 15 years' lifetime in space. The second contract, for £7·3 million, is for the development and manufacture of a photon detector assembly which is the heart of a 'faint object' camera, one of five focal plane space telescopes. For this contract, the corporation will lead a consortium of 11 companies from eight European countries.

CONCORDE

A ten-year agreement has been signed by British Airways and Singapore Airlines for the operation of a *Concorde* service between London and Singapore. A British Airways' *Concorde* will carry the colours of the two airlines, and revenue and costs of the operation will be shared. The service, which will be an extension of the present London-Bahrain route, is due to start on 9 December and the journey between London and Singapore, with a stop at Bahrain, will take about nine hours, at least seven hours less than by subsonic jet.

As a result of the decision taken by the United States Supreme Court to reject the request of the Port Authority of New York and New Jersey for a further delay on trial *Concorde* flights into New York, British Airways' *Concorde* service between London (Heathrow) and New York's John F. Kennedy airport (see p 388) will start on 22 November. Several trial landings and take-offs have already been made and they have demonstrated that *Concorde* operates well within the airport's noise limits.

UNFAIR CONTRACT TERMS ACT

The Unfair Contract Terms Act, which received Royal Assent in October and will come into force on 1 February 1978, represents a major step forward in the law of contract and one of particular importance to consumers and small businesses. It is intended to prevent all unfair and unreasonable exclusion or limitation of liability incurred in the course of business for breach of contract or for negligence. The Act will affect a great many of the contract terms and notices currently used by businessmen. Business is defined as including the professions and the activities of Government departments and local and public authorities. With certain exceptions (such as a contract of insurance) it will cover not only the supply of goods and services but also contracts of employment and the liability of occupiers of premises and of land to persons entering or using those premises and land.

The main functions of the Act can be grouped under four headings: negligence liability; contractual obligations; supply of goods; and indemnity clauses. The rules in the Supply of Goods (Implied Terms) Act 1973 dealing with exclusion or restriction of liability for breach of the obligations implied by law in contracts for the sale of goods and hire-purchase agreements, are extended to all other contracts for the supply of goods.

In many cases, the control which will be applied by the Act is the test of reasonableness. For a contract term, the test which would be applied by the court is whether the term was a fair and reasonable one to be included having regard to the circumstances which were, or ought reasonably to have been, known to the parties when the contract was made. For notices not having contractual effect, the test is whether it is fair and reasonable to allow reliance on the notice having regard to all the circumstances obtaining when the liability arose.

Nobel Prizes 1977

Four British citizens and the London-based organisation, Amnesty International, were recently honoured by the award of Nobel Prizes.

Physics

A British scientist, Sir Nevill Mott, a former Master of Gonville and Caius College, Director of the Cavendish Laboratory, and Emeritus Professor of Physics at Cambridge, shared the 1977 Nobel Prize for Physics with two Americans, Dr Philip Anderson of Bell Telephone Laboratories, and Dr John van Vleck of Harvard University. According to the citation, the award was made for their 'fundamental theoretical investigations of the electronic structure of magnetic and disordered systems'. The research is said to have paved the way for new developments in electronics, following the development of the transistor and microprocessor, based on special electrical properties of glassy semi-conductor materials.

Both Sir Nevill and Professor van Vleck have done distinguished work in quantum mechanics. Professor van Vleck established the magnetic properties of the solid state of matter. Sir Nevill went on to study the properties of metals and alloys, discovering the metal-insulator transition, now known as the 'Mott transition'. Dr Anderson, who was a Visiting Professor at Cambridge for eight years, wrote a paper on amorphous materials in 1958, the theory of which Sir Nevill applied to disordered systems.

Economics

Professor James Meade was awarded the 1977 Nobel Prize for Economic Science, jointly with Professor Bertil Ohlin of Sweden. Professor Meade was Professor of Commerce at the London School of Economics from 1947 to 1957, and Professor of Political Economy at Cambridge University from 1957 to 1968. The citation to the award refers to 'their pioneering contributions to the theory of international trade and international capital movements'. It says further that Professor Meade's *The Theory of International Economic Policy* (1951, 1955) demonstrated the effects of economic policy on foreign trade, and penetrated the problems of stabilisation policies in 'open' economies which are greatly dependent on foreign trade. Professor Meade has recently headed an independent review of the British tax system for the Institute of Fiscal Studies.

Peace

The 1977 Nobel Peace Prize was awarded to Amnesty International, the organisation which campaigns for human rights throughout the world, and the prize for 1976, which was withheld last year, has been given to Miss Mairead Corrigan and Mrs Betty Williams, founders of the Northern Ireland Peace Movement (see p 377, 1976). The Norwegian Nobel Committee said that Amnesty International, whose Secretary-General is Mr Martin Ennals, 'has used its forces to protect the value of human life. Amnesty International has given practical, humanitarian and impartial support to people who have been imprisoned because of their race, religion or political views.' In awarding the prize to the Peace Movement, the committee said: 'Alfred Nobel's wish was that the peace prize should be given to those who most actively worked for peace and brotherhood. Mairead Corrigan and Betty Williams acted from a deep conviction that the individual person can make a meaningful contribution for peace through constructive conciliation work.'

DOCUMENTATION

Government and Administration

Relations between Central Government and Local Authorities. Report by the Central Policy Review Staff. The report, which concentrates on approaches to tackling social problems, recommends that there should be a more inter-departmental and self-critical approach on the part of central Government in its effort to influence local authority decisions. Better contact between central Government and local authorities could be achieved by more secondment in both directions, and a body should be set up within the Department of the Environment to act as the local authorities' 'friend at court'. HMSO, £1·75. ISBN 0 11 700574 6.

Research, Wales. Fourth Report 1976-77. Welsh Office. HMSO, £1·25. ISBN 0 11 790097 4.

Report of the Solomon Islands Constitutional Conference, September 1977. Cmnd 6969. HMSO, 60p. ISBN 0 10 169690 6.

External Affairs and Defence

Exchange of Notes between the Government of the United Kingdom . . . and the Government of the Federal Republic of Germany for Offsetting the Foreign Exchange Expenditure on British Forces in the Federal Republic of Germany. Cmnd 6970. HMSO, 25p. ISBN 0 10 169700 7.

Co-operation Agreement between the European Economic Community and . . . Jordan and Agreement between the . . . European Coal and Steel Community and . . . Jordan. Cmnd 6968. HMSO, £1·60. ISBN 0 10 169680 9.

Co-operation Agreement between the European Economic Community and . . . Egypt and Agreement between the . . . European Coal and Steel Community and . . . Egypt. Cmnd 6940. HMSO, £1·85. ISBN 0 10 169400 8.

Co-operation Agreement between the European Economic Community and . . . Algeria . . . and Agreement between the . . . European Coal and Steel Community and . . . Algeria. Cmnd 6938. HMSO, £2·10. ISBN 0 10 169380 X.

Co-operation Agreement between the European Economic Community and . . . [Syria] *. . . and Agreement between the . . . European Coal and Steel Community and . . .* [Syria]. Cmnd 6959. HMSO, £1·60. ISBN 0 10 169590 X.

Interim Agreement between the European Economic Community and . . . Tunisia . . . and Exchanges of Letters concerning . . . (import of commodities into the Community from Tunisia). Cmnd 6953. HMSO, £1·60. ISBN 0 10 169530 6.

Agreement on the Accession of . . . Sao Tomé and Principe to the ACP-EEC Convention of Lomé. Cmnd 6958. HMSO, 25p. ISBN 0 10 169580 2.

Agreement on the Accession of . . . Cape Verde to the ACP-EEC Convention of Lomé. Cmnd 6955. HMSO, 25p. ISBN 0 10 169550 0.

Agreement on the Accession of Papua New Guinea to the ACP-EEC Convention of Lomé. Cmnd 6957. HMSO, 25p. ISBN 0 10 169570 5.

Economic and Scientific Affairs

Trends in real incomes. Changes in national living standards are determined primarily by changes in the level of real national disposable income which reflects productivity and the terms of trade. An article in the most recent *Economic Progress Report* shows that the small rise in total living standards in recent years in Britain has gone to those receiving state pensions, to working women and to the lower paid. *Economic Progress Report,* No 91, prepared by the Information Division of the Treasury. Available from Circulation Section (H), Central Office of Information.

Selected Public Expenditure Programmes. Reply by the Government to the Ninth Report from the Expenditure Committee. Session 1976-77. Cmnd 6971. HMSO, 35p. ISBN 0 10 169710 4.

Minimum Lending Rate (MLR). The Bank of England's MLR stood at 6 per cent on 16 September, having fallen twice by 0·5 per cent during the month. *Economic Progress Report,* No 91, prepared by the Information Division of the Treasury. Available from Circulation Section (H), Central Office of Information.

Foreign Currency Financing. New rules introduced by the Export Credits Guarantee Department

(ECGD) will ensure that all banks arranging ECGD-supported medium- and long-term foreign currency export credit for British capital goods are established in Britain, are adequately capitalised and are subject to the same prudential requirements. ECGD press notice, 21.10.77.

Changes in the Population of Persons with qualifications in Engineering, Technology and Science 1959 to 1976. Studies in Technological Manpower No 6. HMSO, £3·25. ISBN 0 11 512071 8.

New Earnings Survey 1977. Part B. Analyses by Agreement (see p 442). Department of Employment. HMSO, £2. ISBN 0 11 723808 2.

Health and Safety Commission. Report 1974-76. The report includes an account of the work of the commission over the period 1974-76; the organisation of the commission and its executive, including the bringing together within the executive of various health and safety inspectorates, the Employment Medical Advisory Service, research activities, laboratory and statistical services and the setting up of a comprehensive information service; and a five-year programme of work covering a wide spectrum of health and safety at work activities. It also gives an outline of the commission's future strategy, whose three main elements are: a review and up-dating of existing health and safety legislation, promotion of positive attitudes towards health and safety at work, and improvement in the collection and dissemination of information – including an analysis of the cause and scale of hazard. HMSO, £2. ISBN 0 11 883011 2.

Health and Safety. Mines and Quarries 1976. Health and Safety Executive. HMSO, £2. ISBN 0 11 883010 4.

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Petrochemicals. COI, FSI/4.

Report of the Working Group on a Co-operative Development Agency. Cmnd 6972. HMSO, 75p. ISBN 0 10 169720 1.

Annual Report of the British Tourist Authority. Report for the year ended 31 March 1977. British Tourist Authority, Queen's House, 64 St James's Street, London SW1A 1NF. 95p. ISBN 0 85630 646 0.

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Agricultural Statistics 1976, Scotland. HMSO, £4·50. ISBN 0 11 491498 2.

Social and Cultural Affairs

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Commonwealth Medical Conference. COI, Factel No 651.

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Nutrition Education. Report of a Working Party of the British Nutrition Foundation, the Department of Health and Social Security, and the Health Education Council. Obtainable free of charge from DHSS Store, Sholefield Mill, Brunswick Street, Nelson, Lancs B89 0HU.

Britain's Open University. COI, SN5923.

Post-school Education. COI, FSB/C6.

Adult Literacy: Developments in 1976-77. Almost 100,000 adults with reading and writing difficulties have received tuition since the adult literacy campaign began in 1975. HMSO, £1·50. ISBN 0 11 270459 X.

Housing for All. A Document for Discussion. Issued by the National Economic Development Office. HMSO, £1·75. ISBN 0 11 700853 2.

Local Authorities and Building for Sale. A handbook on local authority involvement in the provision of new housing for owner-occupation, produced by the Housing Development Directorate of the Department of the Environment. Obtainable, free of charge, from the Department of the Environment, Room 1107, Becket House, 1 Lambeth Palace Road, London SE1 7ER.

Scottish Development Department Report for 1975 and 1976. HMSO, 70p. ISBN 0 10 169430 X.

Inner Area Studies. Birmingham Inner Area Study: *You and Me Here We Are.* Report of a project undertaken in Birmingham by the Artist Placement Group, which examines the potential activity of artists in relation to industrial and commercial organisations and looks into ways in which they might be brought together. Available from the Department of the Environment, Room P2/127, 2 Marsham Street, London SW1P 3EB. £2·75.

Recreation and Deprivation in Inner Urban Areas. HMSO, £1·50. ISBN 0 11 751240 0.

Football Crowd Behaviour. A report of a working group appointed by the Secretary of State for Scotland. HMSO, Edinburgh, £1. ISBN 0 11 491514 8.

INDEX

October—November 1977

Anglo-German relations, 422
Anglo-Soviet relations, 420
Antarctic Treaty meeting, 417

Balance of payments in 1976, 383
British construction overseas, 437

Civil aviation, 388
Commonwealth Development Finance Company, 378
Commonwealth Finance Ministers' meeting, 376
Concorde, 444
Counter-inflation policy, success of, 389
Cyprus, Security Council debate on, 370

Defence savings, statement on, 369
Détente and human rights, 367
Disarmament: speech by Mr Callaghan, 419

Earnings, average, in 1977, 442
Economic measures, 426
Economy: Chancellor's Mansion House speech, 424
Energy conservation in industry, 390
European Community, 365, 408

Ford, new engine plant for Wales, 390

Government aid to industry, 389
Government encouragement for small firms, 384

Industry
  energy conservation, 390
  Government aid to, 389
  university-industry relations, 391
International Energy Agency, 443
International Monetary Fund, 429
  Chancellor's statement at, 373
Invisible trade, trends in, 435
Israel-Arab relations: speech by Mr Callaghan, 421
Italy, Prime Minister's visit to, 372

Law of the Sea Conference, 417

Mackerel stocks, conservation of, 389

National Consumer Council review of advice services, 389
National income and expenditure, 378
Nobel Prizes 1977, 445
Northern Ireland, 406
Nuclear energy, 386

Offshore oil developments in 1977, 385

Parliament, prorogation and opening of, 403

Security Council debate on Cyprus, 370
Shorter notes, 372, 389, 393, 422, 444
Small firms, Government encouragement for, 384
Solomon Islands constitutional conference, 371
Southern Africa, 414
Space telescope contracts for Britain, 444

Television, British, awards for, 393

Unfair Contract Terms Act, 444
UN General Assembly: speech by Dr Owen, 363
University-industry relations, 391

World Bank group, 433
World invisible trade, 383

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